

# FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND SEPTEMBER 3/SEPTEMBER 4 1994

## Balladur pledge on Renault as profits rise 125%

Half-year profits at French car group Renault forged ahead by 125 per cent to FF1.7bn (£200m), due largely to financial gains. Prime minister Edouard Balladur confirmed that the state would keep a majority stake in the vehicle group after any privatisation, and hinted he would like to see back under French control the 20 per cent of Renault owned by Sweden's Volvo. Page 23 and Lex

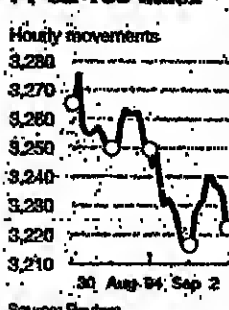
**More rail strikes planned:** The RMT signal workers' union called two more strikes. A 48-hour stoppage will run on September 14-15 and a 24-hour strike on September 23. They will follow a 24-hour strike already called for next Thursday. Page 5

**Rosche:** Swiss health products group, made a first-half net income of SF1.6bn (£70m) - the first time it has reported interim figures. Rosche recently paid \$5.3bn for US drugs company Syntex. Page 9

**Schroeders:** The UK-based merchant bank disclosed interim pre-tax profits up 7.8 per cent at £108.2m and said it wanted to remain independent of UK securities brokers. Page 8, Lex, Page 22

**House price market 'fragile':** UK house prices fell by 0.7 per cent in August, according to Halifax Building Society. The country's biggest mortgage lender warned that speculation about possible interest rate rises could damage an already fragile housing market. Page 5; Bottom line, Weekend Page 11

### FT-SE 100 Index



Source: Reuters

Page 13; Lex, Page 22; US job creation, Page 2; Markets, Weekend, Page 11

**Farmers fear £200m losses:** British farmers could lose up to £200m a year in sales as ferry companies ban the carriage of live animals destined for slaughter to the Continent, said Richard Beale, chairman of the Association of Livestock Exporters. Page 5

**Aerospace warnings:** Europe's aerospace industry will have to cut its cost by about 40 per cent over the next few years and shut surplus facilities to stay competitive, British Aerospace chairman Dick Evans warned. Page 3

**Pearson profits up 50%:** Shares in the media and entertainment group which owns the Financial Times fell 31p to 62p although interim pre-tax profits rose by 50 per cent to £89.3m. The drop partly reflected worries about the second half. Page 8

**Martin Sorrell,** chief of marketing services group WPP, is moving from a five-year rolling contract to an fixed three-year one, annually-renewable. The deal will give him a basic salary of £1.15m (£750,000) plus annual pension contributions of \$500,000. Page 8

**Twist in opera saga:** The Paris Opera was instructed to pay sacked conductor Myung-Whun Chung FF50,000 (£6,016) a day as long as it disobeys a court order to reinstate him. Chung was turned away although a judge had ordered he should have his job back pending a final ruling on his appeal against dismissal.

**Move on money laundering:** The tiny principality of Liechtenstein, a known haven for investors wanting to place money beyond the reach of domestic tax authorities, plans to outlaw money laundering and insider trading.

**Baby trial postponed:** The trial of British couple Adrian and Bernadette Mooney, who are charged with trying to smuggle a baby girl out of Romania, was postponed because the baby's natural parents had no legal representation.

**Entertainer dies:** British entertainer Roy Castle died of lung cancer aged 62. The non-smoker was convinced his illness was due to passive smoking.

**Warwickshire wins:** Warwickshire took cricket's county championship trophy for the first time for 22 years when they beat Hampshire by an innings and 85 runs at Edgbaston.

### Companies in this issue

Arjo Wiggins	8	Pearson	8
Body Shop	8	Pfizer	22
Ciba	8	Readylink	8
Courtyard Leisure	8	Renault	22
Delhaize	8	Rosche	9
Eclipse	8	SCI	22
Equifax	8	SMT	8
File Indimar	8	Sandoz	8
GFT	8	Scholes	22
Goodman Fielder	8	Schroeders	8
Hansen	8	Smith New Court	8
Henlys	8	TVB	8
Hobson	8	Torrey & Carville	8
Isotron	8	Trans Union	8
Mackie International	1	UAPT-Intolink	8
Men (EDSF)	8	VW	8
Naxos Comms	8	WPP	8

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## Europe at odds over integration

By Lionel Barber in Brussels

A constitutional debate has broken out in Europe on the future pace of political and economic integration. The wrangling could prove as divisive as that over the Maastricht treaty.

Concern was expressed at the implications for the community's union by countries excluded from a "hard core" of five nations - as defined by leaders in France and Germany - in a multi-speed European Union.

Senior officials from Italy and Spain, both of which would be outside the "inner circle", expressed fears at the prospect of being left behind within the EU.

"All countries are happy with a hard core, as long as they are in it," said a senior Spanish official.

In Brussels, a senior EU official said that plans for a multi-speed

France and Germany see themselves at core of inner circle of five fast-track members

Europe, floated in France by Mr Edouard Balladur, the prime minister, and in Germany by Mr Wolfgang Schäuble, parliamentary leader of the Christian Democrats, might prove virtually impossible to implement.

However, the British Foreign Office said the vision of a multi-speed Europe was preferable to a "monolithic" concept of all countries travelling on the same lines. But pro-European British MPs expressed fears that the UK would be relegated to Europe's slow lane.

Italy has already made its opposition clear. "If you're going to talk about a Europe of two

speeds, then you might as well talk about a Europe of 16 speeds," said Mr Domenico Comino, the country's minister for European affairs.

The constitutional debate on the future of Europe has been in suspension after the arduous ratification last year of the Maastricht treaty, which struck a balance between community-wide obligations and looser co-operation among governments.

Many observers thought that the treaty would hold until the inter-governmental conference to review the Maastricht treaty opened in 1996.

But the debate has broken out

as France and Germany, the traditional motor behind European integration, have sought to reconcile Bonn's demand to embrace the former communist countries of eastern Europe with Paris's interest in preserving its political influence in a strong Union.

In Germany the Christian Democrats, leaders of the ruling coalition government, this week published a top policy document proposing a future flexible Europe with expanded membership to the east, built around the core Franco-German alliance.

Their vision of "variable geometry" - apparently blessed by the party leader, Chancellor Helmut

Kohl - would be configured around only five of the original founding members: France and Germany, as well as Belgium, Luxembourg and the Netherlands. Italy, a founder member, as well as Britain and Spain would be excluded in the initial phase.

The paper appeared one day after Mr Balladur sketched his vision of a three-tier Europe with France and Germany at the core. A second concentric circle would include weaker or less integration-minded states such as the UK, while an outer group would take in the outliers of eastern Europe which could not hope to meet the criteria of EU membership for some time.

Additional reporting by Michael Lindemann in Bonn, Roland Rued in London and Andrew Hill in Milan

Business leaders regard the move as significant

## Mackie flotation to test confidence in Ulster

By William Lewis in Belfast

Mackie International, the precision engineering firm which straddles the peace line between Protestants and Catholics in Belfast, is to provide an early test of business confidence in Ulster's future after this week's ceasefire.

Mackie is to be floated as a public company, and plans to come to the Unlisted Securities Market via a placing later this month. It will have a market capitalisation of about £20 million and hopes by the end of the year to have moved to a full listing on the London Stock Exchange.

Ulster's business leaders believe Mackie's flotation is highly significant, coming just after the IRA began its ceasefire on Thursday. "It is the first indication that business confidence could be bouncing back," one said.

Mackie is one of Northern Ireland's best known companies. Its headquarters are sandwiched between the Catholic Falls Road and the Protestant Shankill Road. While 70 per cent of its 350 workers are Protestants, it is run and owned by a Catholic, Mr Pat Dougan, the company's chief executive.

"This is the first opportunity the City of London has had post the cessation of violence to show its confidence in Ulster," Mr Dougan said yesterday.

"This company could become the flagship of West Belfast. If we can demonstrate to American and overseas investors that there is a work ethic here this will allow us to develop the skills of the community."

Flotation will enable the company to eliminate debts totalling £14.3m, incurred while the company was under US ownership. Mr Dougan said it would also "assist in the financing of a capital expenditure programme and the provision of working capital to finance the company's substantially increased levels of turnover".

Three years ago Mr Dougan was brought in by the Northern Ireland office to help rescue Mackie. Sales had fallen to £6.1m



President Clinton met Irish foreign minister Dick Spring (right) for talks at Martha's Vineyard, Massachusetts, yesterday. He pledged strong US support for promoting peace in Ulster. Mr Spring said Dublin hoped that would mean "substantial funds" from the US

## Adams poised to meet Reynolds

Sinn Féin may be poised to take another big step towards recognition as a fully legitimate democratic party with a meeting between Mr Gerry Adams and Mr Albert Reynolds, the Irish prime minister, within two weeks, Dublin officials indicated last night.

Word of the meeting - which would be the first ever between a Provisional Sinn Féin leader and an Irish premier - came as Mr Adams extended his list of demands by calling in Dublin for the withdrawal of British troops from nationalist areas.

Meanwhile in Washington, senior members of the US Con-

gress warned that no extra money was likely to be available this year to help smooth the way to peace in Northern Ireland.

But Mr Dick Spring, the Irish foreign minister, said after a meeting with President Bill Clinton that he hoped "substantial" sums would be forthcoming.

As London continued to voice doubts about the permanency of the IRA ceasefire, Republican leaders rejected the possibility of a violent reaction to the killing by loyalist paramilitaries of a Catholic man on the first day of the ceasefire on Thursday.

Full report, Page 4

In 1991 he and predicted to top \$18m with a pre-tax profit of \$2m this year. The company specialises in designing, manufacturing and installing textile machinery for a worldwide market. Its new environmental division recently won a £25m contract

with the Argentina Water Sanitation Authority.

Mr Dougan's 66 per cent ownership of the company will fall to just under 21 per cent after flotation. The workforce will collectively own about 8 per cent of the share capital.

## Child Support Agency chief quits post early

By Alan Pike, Social Affairs Correspondent

Mrs Ros Hepplewhite resigned yesterday as chief executive of the bitterly criticised Child Support Agency, more than 18 months before her contract was due to expire.

Speculation had been growing through the summer over whether Mrs Hepplewhite would survive until April 1996 to complete her contract in charge of the agency, set up last year to ensure that absent parents took financial responsibility for their children.

In July she was forced to admit, both in her first annual report and in an appearance before the Commons social security committee, that in its first year the agency had failed by a wide margin to meet government-set targets.

In her resignation letter to Mr Peter Lilley, social security secretary, she said: "I am hopeful that the new arrangements will in time benefit many families and be more widely recognised as an important and necessary innovation."

The agency was set up with

considerable all-party support, but few MPs can have been prepared for the avalanche of complaints they have received from constituents since it began operating in April, 1993.

Many have criticised the agency's decisions, with criticisms that it was interfering with "clean break" settlements and undermining the stability of second families by making excessive financial demands. Another large group of complaints, however, has been about the agency's poor efficiency.

In her first annual report, Mrs Hepplewhite was forced to apologise to those with whom the agency came in contact for difficulties they had experienced. She admitted that the agency's performance had "not always measured up to the high standards we set out to achieve".

Financially it fell £112m short of its government target of raising £530m in benefit savings last year, while MPs on the social security committee claim it managed to collect only £15m in new money.

Mrs Hepplewhite was recruited

## Thyssen steps in to save Three Graces for Britain

By Annalena McAfee in London

An eleventh-hour intervention by Baro Hans Heinrich Thyssen-Bornemisza, the Dutch-born industrialist and art collector, has saved the Three Graces sculpture for Britain.

Speaking from his summer house on the Spanish coast, the 73-year-old baron pledged the £800,000 needed to save Antonio Canova's marble sculpture of Jupiter's daughters from export to the Getty Museum in Malibu.

"I thought it was idiotic to let this thing go to California for a little amount of money so I decided to help," the baron said. "It's an important neoclassical piece and it would be a big shame for all of Europe if it was lost to America."

Mr Tim Clifford, director of the National Gallery of Scotland, which will share the sculpture with the Victoria and Albert Museum in London, described the offer as "wonderfully generous". He is flying to Barcelona on September 19 to co-ordinate the deal.

That will conclude a saga that stretches back to the early 1980s when the Marquess of Tavistock first put the Three Graces - originally commissioned for Wolrou Abbey in 1815 - up for sale.

The Getty Museum subsequently bought it for £7.6m, but successive arts and heritage ministers have delayed the granting of an export licence in the hope that UK museums and galleries could match the sum.

Mr John Walsh, director of the California museum, recently threatened legal action over the delay.

Three weeks ago John Paoi Getty II, the reclusive anglophile billionaire, made a surprise donation of £1m to the fund to keep the sculpture in the UK and, to offset, out of his late father's museum.

Mr Clifford was forced to apologise publicly after stating that Mr Getty Jr's offer had been prompted by a grudge against his father.

The campaigners had until November 5 to raise the

Continued on Page 22  
Arts, Weekend XVII

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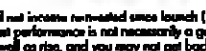
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## Bae chief sees more mergers to counter US threat

**ET** The European aerospace industry was warned yesterday that it will have to reduce its costs by about 40 per cent over the next few years and close down a significant number of surplus facilities to remain competitive, reports Paul Betts, Aerospace Correspondent.

The warning, ahead of next week's Farnborough Air Show, came from Mr Dick Evans, chairman of British Aerospace, at a Financial Times aerospace conference.

Mr Evans said more consolidation was inevitable in the European aerospace industry especially in the wake of the shake-up taking place in the US defence sector.

In the commercial aircraft market, Mr Evans said, the European industry would eventually be polarised around the European Airbus consortium in the large aircraft sector and another consortium in the smaller regional aircraft market.

He also believed there would ultimately be only one significant defence producer in Europe, although consolidation in the sector would hinge on government policies because of their huge procurement power.

"We need a clear definition of strategy from governments if we are to go down the inevitable road towards greater consolidation," he told the conference.

Mr Evans said that in the regional aircraft market the most rational outcome would be a combination of UK, German and French aircraft activities into a grouping similar to the Airbus consortium.

Although BAE has held extensive discussions over recent months with both Aérospatiale of France and Deutsche Aerospace, the German company controlling the Dutch Fokker regional aircraft manufacturer, the talks have so far failed to produce tangible results.

Speculation had also been rife of a possible combination of BAE and the UK General Electric Company (GEC) to create a large UK defence contractor in the wake of the Lockheed-Martin Marietta defence merger in the US. However, it is understood there are no talks at this stage between BAE and GEC over the possibility of the companies forging a strategic link.

The difficulties of forging cross-border defence mergers in Europe have also been highlighted by the slow pace of negotiations between BAE and Matra of France to combine their respective guided weapons activities. The negotiations have been dragging on for two years.

Mr Arthur Zissman, president of Hughes Europe, told the conference that if defence companies wanted to survive, they had to "do something spectacular". He said industry experts were forecasting that up to 80 per cent of the top 100 defence companies could disappear by the turn of the century.

Although air travel was picking up and airlines were beginning to make money again, Mr Richard Turner, Rolls-Royce's marketing director and president of the Society of British Aerospace Companies, said the industry was not viable as currently structured.

Mr Robert Dryden, executive vice-president of Boeing, the world's biggest aircraft manufacturer, said the company had committed itself to reducing its production cycle times by more than half in three years.

"The target is to have a six-month cycle time by the end of 1996 for the Boeing 737 and 757, and eight months for the 767 and 747 and eventually the new 777."

# Court ruling exposes Taiwan's financial flaws

### Executives at Tatung found guilty of running an illegal deposit scheme

Senior executives at Tatung, a leading listed Taiwanese electronics company, are to appeal against a court ruling which found them guilty of violating domestic banking laws by taking deposits to finance expansion, writes Laura Tyson in Kaohsiung, Taiwan.

The company's chairman, Mr Lin Tingsheng, and its finance manager, Mr Lin Hong-tai, are unhappy with the verdict in a case that reveals both the shortcomings of Taiwan's state-dominated banking system and the country's historically less-than-rigorous enforcement and observance of law.

A Taipei district court on Thursday handed down suspended 16-

month prison sentences to the two executives for running an illegal deposit scheme through the company. According to 1989 revisions to the Banking Law, non-bank entities are not permitted to take deposits, undertake trustee business or offer remittance services. The law stipulates a jail sentence of between one and seven years.

The two executives, who were charged last December following a three-year investigation, were convicted of illegally accepting deposits from company employees, shareholders and nearby residents. Tatung col-

lected nearly \$400m (\$258m) since 1987.

Observers said the verdict was intended to "kill the chicken to warn the monkey" - that is, to send a strong signal to Taiwan companies regarding a practice which is widespread and has been largely tolerated by the authorities.

Taiwan's Central Bank of China even includes in its regularly published statistics charts showing prevailing interest rates on loans and deposits in the "unorganised financial markets".

"Tatung was singled out not

because it's the only company which does this, but because it was so brazen," one observer said. "Most companies just take deposits from their employees; this is commonly seen as a type of staff benefit. But Tatung was accepting deposits from the public as well, and everybody knew they were doing this."

Mr Lin and Mr Lin contend that they were forced to seek financing from deposits because the company could not raise enough money from banks to satisfy its plans for expansion. Taiwan banks generally lend only on the basis of full collateral,

partly because individual loan officers may be held personally liable in the event of non-payment.

They also plan to argue in their defence that the scheme offered a return which was fair for both the company and the depositors. While employee deposit schemes often yield 2 per cent per month, Tatung offered an average annual interest rate of 8.5 per cent.

Moreover, all of the 13,000-odd depositors participated in the scheme on a voluntary basis, they said. Interest payments amounted to some NT\$2bn (\$49.4m) a year.

Taiwan's underground financial markets have diminished in scale since their heyday following a crackdown in the late 1980s, but informal financing schemes and various other murky related activities remain.

In the 1980s, dozens of underground finance companies sprang up and attracted deposits by offering interest rates as high as 8 per cent a month. The biggest underground bank, the Hung Yuan group, declared bankruptcy in 1991 after illegally attracting some \$3.6bn from depositors.

Tatung's share price closed at NT\$86.5 yesterday against NT\$88 on Thursday.

## Violence tips Algiers toward compromise

### Francis Ghilès on the political and economic turmoil which followed cancelled elections

The Algerian government is ready to hold talks with Islamic opposition groups, but only if the violence sweeping the country is halted. "If we have to talk with the Islamic Salvation Front (FIS), we will. The essential precondition is that the FIS must cease all violence. What is also essential is that the Algerian people take their destiny in their own hands," said Mr Mokdad Sifi, Algerian prime minister, in an interview.

The premier claimed the government was not responsible for the country's political and economic turmoil, or the causes which led to it.

Economic improvements and a more hopeful political future are proving elusive in the climate of insecurity which has characterised Algeria since the FIS was denied victory by the cancellation of the 1992 election results which had seemed certain to sweep the Islamic party to power. Worsening violence is causing ever-greater damage to the nation's infrastructure, the death toll is rising remorselessly, while the benefits of a \$1bn (\$653m) loan agreement signed with the International Monetary Fund in April may only be felt slowly.

The cost of damage to the country's infrastructure over the past two years is estimated at more than \$1.3bn. Schools and universities have been increasingly targeted by the more extreme members of the Islamic Armed Group (GIA); more than 400 schools have been set on fire in the past 12 months.

Two weeks ago the medical faculty in the eastern provincial capital of Constantine was reduced to ashes, and fierce fighting in the city left scores dead. Forest fires this summer, often started by the security forces to flush out Islamic groups, have caused extensive damage, especially to olive groves in eastern Algeria. No area of the country today is safe, violence having spread this summer to the Berber heartland of Kabylia.

The cost in lives, now put at about 11,000, has also been growing. Not only are the fundamentalists pitted against the army-backed government, but confrontation is growing between the GIA, which is active around Algiers, and supporters of the Islamic Salvation Army (AIS) which owes allegiance to the outlawed FIS.

The GIA has sought to sabotage tentative steps towards a dialogue between General Liamine Zeroual, the head of state, and some senior FIS leaders. It has also threatened to "burn or dynamite" all schools and universities which open their doors this autumn, and said "severe sanctions" would be taken against students and teachers who attended classes.

The deadly competition between the FIS and the GIA is leading to violent vendettas, and denunciations by elders of the FIS, such as Mr Abdelhak Sahraoui, who claim the GIA is acting as an accomplice to the military.

The GIA, which has claimed



General Liamine Zeroual (right), head of state, and Mr Mokdad Sifi, Algerian prime minister, at a political meeting in Algiers

responsibility for the deaths of most of the 60 foreigners killed during the past 12 months, has repeatedly refused to contemplate negotiations with an "unpious state".

Gen Zeroual says he wants to start a dialogue, but seems unwilling or unable to release the leaders of the FIS held since June 1991.

The FIS, which is finding it difficult to control its supporters, says it would like to begin talks but not until its leaders are released. It has condemned the killing of foreigners, the burning of schools and the threats to teachers and students.

Against this background, most of the more promising conditions that Mr Sifi and his government are seeking to create are most likely to stem from the IMF agreement and the subsequent rescheduling of part of Algeria's \$2.7bn foreign debt, thus reducing the cost of servicing this year from \$9.4bn to \$5.06bn. This should allow last year's 1.8 per cent decline in real gross domestic product to be reversed, and provide growth in 1994 of about 2 per cent.

Capital goods investment in industry should rise from \$7.99bn to just above \$8bn and help boost activity in myriad state and private companies which have been starved of imports over the past two years as the debt service ratio has risen to absorb 86.4 per cent of total exports in 1993.

Three factors explain why the quick benefits the IMF agreements were supposed to bring will materialise only slowly. First, the shortage of foreign currency alone is not the root cause of Algeria's economic crisis. In the words of one senior diplomat: "Injecting cash into a semi-paralysed network of state companies will not turn them over into athletes overnight."

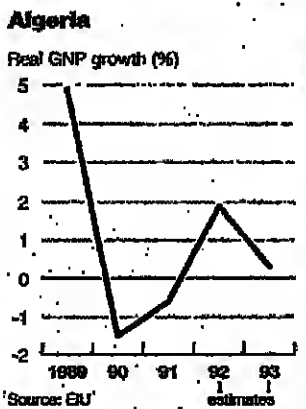
Second, in critical areas such as the severe lack of housing it is unrealistic, according to one

senior official, to expect more than 50,000 new units to be built this year, against the estimated requirement of some 1.2m units. Despite the fact that it takes, on average, eight years to complete an apartment block in Algiers, private builders remain hostile to importing pre-fabricated units. The increasing unwillingness of foreign governments and companies to send representatives to Algeria is also slowing decision-making in all fields.

Third, this year's severe drought has cut farming output and will force Algeria to import more than 90 per cent of its cereal requirements, compared with a 70-75 per cent average in better years.

Foreign embassies, meanwhile, are closing down or reducing their staff dramatically. The daring and precision of the GIA's attack on the French diplomatic compound at Ain Allah in early August, which cost the lives of three gendarmes and two consular officials, has sent shivers through the diplomatic community. Sweden, Finland, Denmark, Austria, Holland and Switzerland have now closed their embassies, albeit temporarily.

More than at any time since the suspension of elections it appears that only some form of compromise between the army and the FIS will avert a fully fledged civil war.



### Uruguay Round ratified so far by only 26 of 125 signatories

## Gatt chief warns on accord delay

By Frances Williams in Geneva

Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, yesterday launched a strong appeal to the leading trading powers to ratify the Uruguay Round global trade accords without delay.

The accords, including the establishment of a World Trade Organisation, are due to take effect on January 1 next year. Addressing a business audience in Italy, he said the biggest trade-liberalising package in history - worth \$755bn (\$487bn) a year in extra merchandise trade - was "little more than an uncashed cheque" until ratified and

implemented. "Any delay in the entry into force of the WTO and the agreements it encompasses will cost real people everywhere real money," he said.

Only 26 of the 125 countries taking part have so far ratified or otherwise approved the Uruguay Round agreements signed in Marrakesh in April. Most are waiting for ratification by the three biggest traders - the US, the European Union and Japan - whose participation is essential.

While Mr Sutherland expressed concern over procedural delays in the EU and Japan, he is most alarmed at the confused situation in the US. The Clinton administration

is still wrangling with Congress over details of the implementing legislation and there is a strong current of congressional opposition to ratification this year.

The Gatt chief said the window of opportunity, from the time Congress resumes on September 12 to early October when it adjourns ahead of mid-term elections, was a narrow one. "If it is missed, the risks of a long delay are serious."

In addition to intensifying personal contacts with key participants, Mr Sutherland plans a multilateral review on implementation which would enable the September 22 meeting of the WTO preparatory committee to identify recalcitrants.



Sutherland: 'uncashed cheque'

## China quits Korea war commission

By John Burton in Seoul

China said yesterday that it would withdraw from the Korean war armistice commission, in an apparent show of support for North Korea.

In April North Korea withdrew from the body that supervises the Korean war truce in an attempt to persuade the US to sign a formal peace treaty ending the 1950-53 conflict, which could eventually lead to the US removing its troops from South Korea.

Pyeongyang is likely to press for the peace treaty if diplomatic relations are established with Washington as part of a wider deal to end the international dispute over North Korea's nuclear programme.

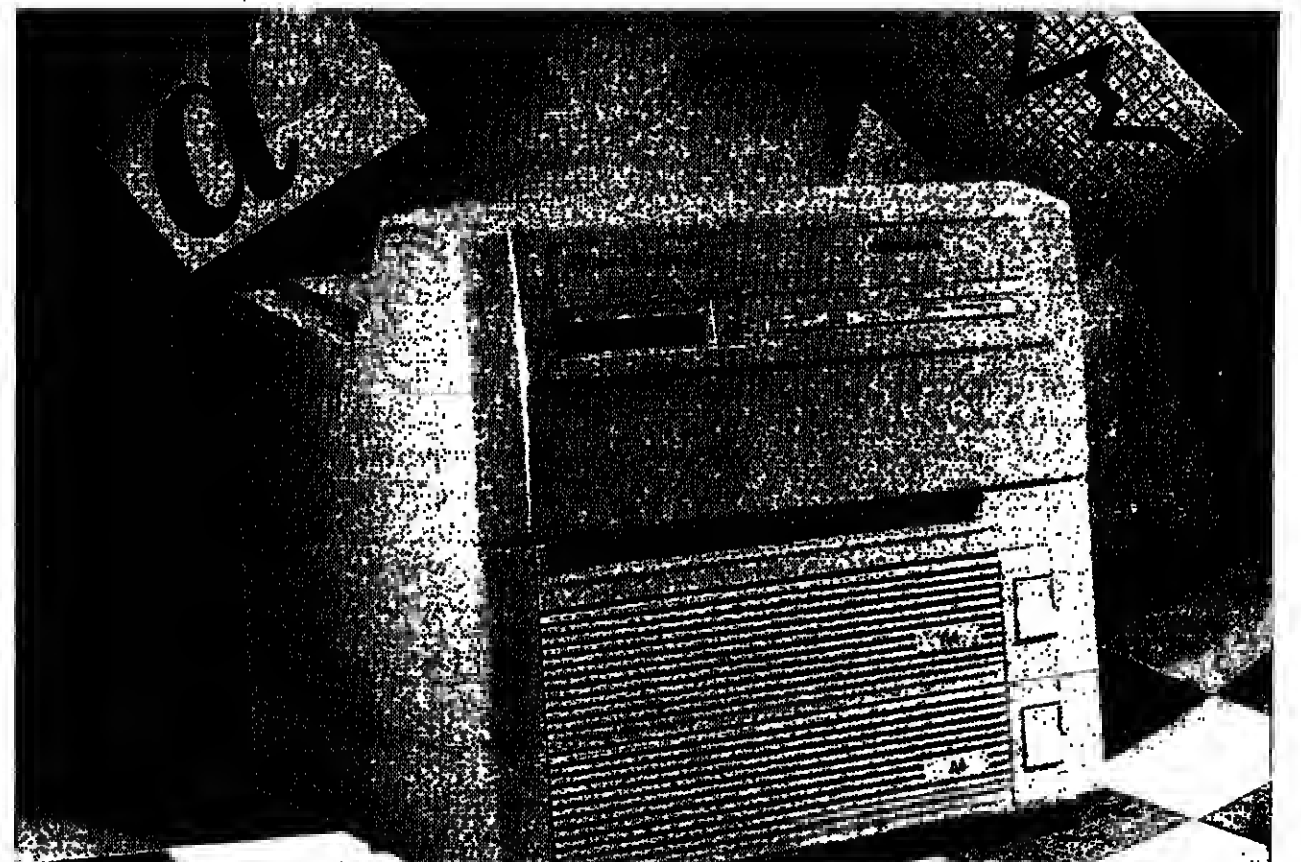
The withdrawal of North Korea's closest ally is largely symbolic as the armistice commission has not met since 1991, when North Korea began boycotting the meetings in protest over the appointment of a South Korean officer as head of the United Nations side.

China made its announcement following talks with Mr Song Ho-kyong, the North Korean vice-foreign minister and the first envoy from Pyongyang to visit Beijing since the death of President Kim Il-sung in July. Beijing's action is causing concern in Seoul, already worried about being left out of North Korean-US talks on the nuclear issue and feeling increasingly isolated from accelerated diplomatic negotiations

concerning the future of the Korean peninsula.

The Chinese announcement would appear to endorse North Korea's proposal for a peace treaty with the US to replace the armistice, while also excluding South Korea. Pyongyang does not recognise South Korea as a party to a future peace treaty since Seoul refused to sign the 1953 armistice agreement, which was concluded between North Korea, China and US-led UN forces.

Pyeongyang cited these grounds for its boycott of the truce meetings. Meetings to supervise the armistice are now conducted on a lower level between UN and North Korean military officials.



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**TEXAS  
INSTRUMENTS**

## Japanese surplus 'nearing peak'

By William Dawkins in Tokyo

Strong Japanese exports and only moderate growth in domestic demand for foreign goods produced a 0.9 per cent rise in Japan's current account surplus in July.

The gap widened to \$11.74bn (\$7.5bn), a record for the month, from \$11.63bn in July last year, roughly in line with market forecasts. Finance Ministry officials interpreted the result as further evidence that the politically touchy surplus had started to peak as Japan and the US approach another

critical deadline - at the end of the month - in trade talks.

Adjusting for the rise of the yen against the dollar over the year, the current account gap shrank by 7.7 per cent when measured in the Japanese currency. Stripping out sales of services, Japan's trade surplus rose 4.9 per cent to \$14.45bn, but fell 4.2 per cent in yen terms. Exports rose 6.6 per cent in dollar terms and imports were up 8.1 per cent against July 1993.

On average, import volumes had grown by 10 per cent since the turn of the year, reflecting

a gentle pick-up in domestic demand, an official said. Exports had declined in five of the past seven months in yen terms, he added.

The surprise in yesterday's figures was a sudden sharp rise in the outflow of long-term capital, to \$20.85bn in July from \$4.5bn in June. Mr Robert Feldman, chief economist at Salomon Brothers Asia, believes this is partly due to a surge in bonds issued overseas by Japanese companies, so that cash will return to Japanese hands rather than being recycled abroad.

July's long-term capital account deficit also includes a record \$8.99bn outflow of funds from foreign investors, who became net sellers of Japanese shares and bonds for the first time in 13 months. Foreign investors, previously the sole source of support for the languishing equity market, had provided a \$6.66bn capital inflow in June. A ministry official said foreign investors were believed to have taken profits on the yen's rise and might be worried about the impact of the stronger currency on companies' export earnings.



## NEWS: UK

# Adams set to meet Irish PM

By Tim Coone, David Owen and George Graham

Sinn Féin may be poised to take another big step towards recognition as a fully legitimate democratic party with a meeting between Mr Gerry Adams and Mr Albert Reynolds, the Irish prime minister, within two weeks, Dublin officials indicated last night.

Word of the meeting - which would be the first ever between a Provisional Sinn Féin leader and an Irish premier - came as Mr Adams extended his list of demands by calling in Dublin for the withdrawal of British troops from nationalist areas.

In Washington senior members of the US Congress warned that no extra money was likely to be available this year to help smooth the way to peace in Northern Ireland.

But Mr Dick Spring, the Irish foreign minister, said after a meeting with President Bill Clinton in the holiday resort of Martha's Vineyard that he hoped "substantial" sums would be forthcoming.

As Downing Street continued to voice doubts about the permanence of the IRA ceasefire, republican leaders rejected the possibility of a violent reaction to the killing by loyalist paramilitaries of a Roman Catholic man on Thursday.

Mr Martin McGuinness, a member of Sinn Féin's governing executive, said it was "a total anathema to us that anyone would consider taking any sort of retaliation for the deeds of a few people within the unionist community".

Mr Michael Ancram, Northern Ireland minister, responded to Thursday's loyalist attacks by pledging that the government would "continue to pursue those who commit crimes of this sort".

Mr Reynolds met yesterday with Mr John Alderdice, leader of the non-sectarian Alliance

## Politics

party, to discuss the setting up of the Irish government's Forum for Peace and Reconciliation, which is intended to include Sinn Féin for the first time in round-table talks with other political parties.

Dublin hopes to establish the forum - which unionist parties are expected to boycott - before the end of October.

Officials said Mr Reynolds would be anxious to "get things moving" before departing on a visit to Australia in two weeks' time. They said a meeting with Mr Adams was "inevitable" before he leaves.

In the US, Senator Patrick

**It is a total anathema to us that anyone would consider taking any sort of retaliation for the deeds of a few people within the unionist community**

Martin McGuinness

Sinn Féin executive member

Leahy, chairman of the Senate appropriations committee which controls overseas aid, said money to smooth the peace process was already in the pipeline for next year, in the form of the US's \$20m (£13.3m) contribution to the International Fund for Ireland.

Mr Clinton said the US was "prepared to take some steps to do whatever we can to help".

In London, Downing Street said Mr John Major would study the report he had demanded into the transfer on Thursday of four republican prisoners from the mainland to jails in Northern Ireland over the weekend.

Peace struggle, Page 6

# Years of debate fuel compromise

Tim Coone on Sinn Féin negotiation and the development of its 'unarmed strategy'

The IRA's decision this week to call an end to its 25-year military campaign comes after almost four years' intense debate in the republican movement about how its aims might be achieved by an "unarmed strategy".

Sinn Féin, the political wing of the IRA, was given responsibility for developing that strategy in a resolution passed at its 1991 party conference.

As it has developed its strategy it has been overhauling its party structure and organisation. It has reorganised in the Irish Republic on a constituency basis rather than a county one - it was already organised on a constituency basis in the north.

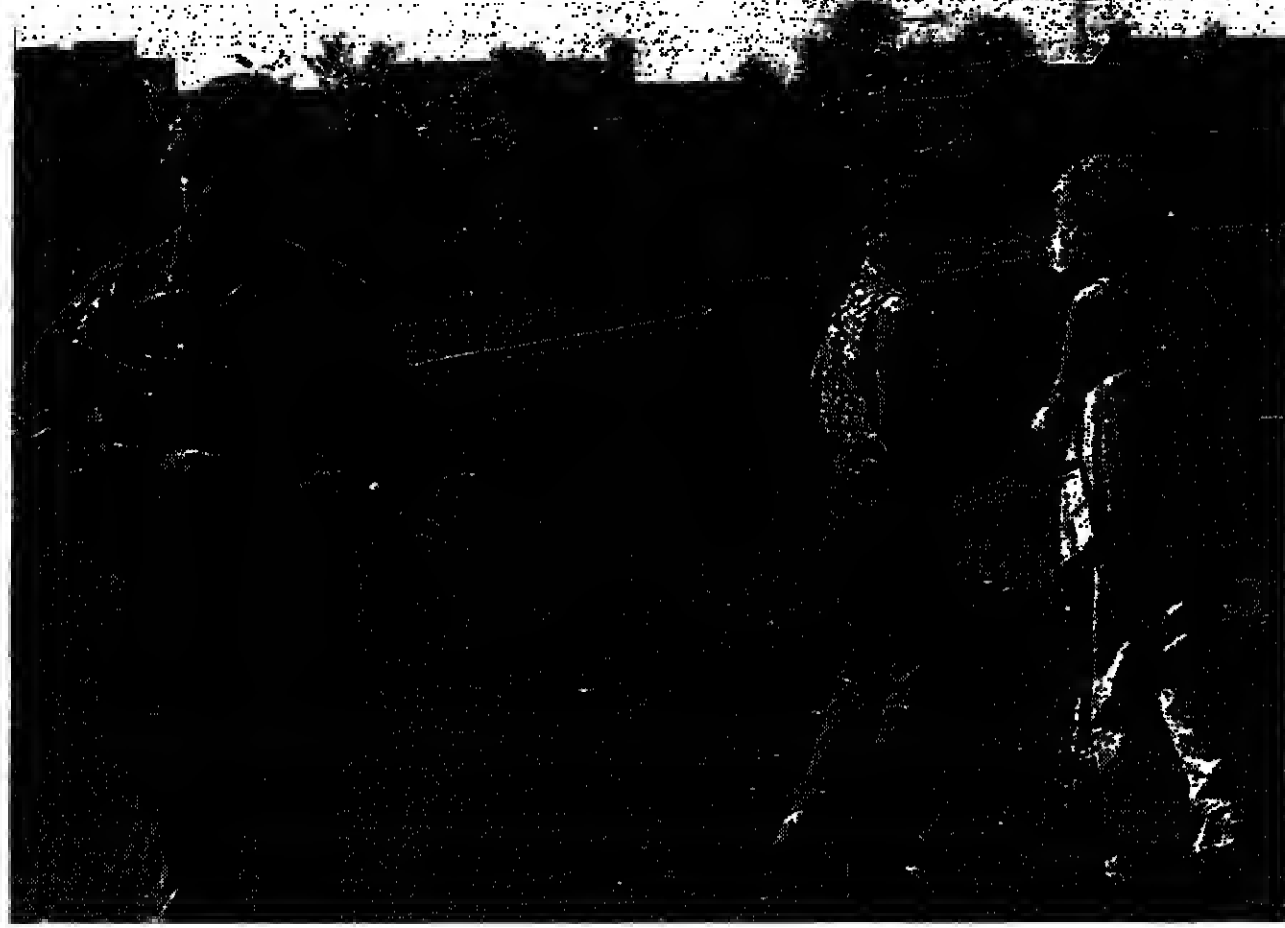
In the north it has performed strongly since losing its one parliamentary seat - Belfast West - in the 1992 general election. In May's local elections it took 33.2 per cent of the vote in Belfast, the biggest share for any party. Across the province its vote rose 1.5 percentage points to 12.5 per cent, taking 51 council seats out of the 622 total.

In the European elections its support in Northern Ireland advanced by 1 percentage point to 10 per cent.

In the June local elections in the republic this year Sinn Féin won a series of council seats in areas it had not contested before, finishing ahead of the conservative Progressive Democrats party.

The discussion document of the party's national executive towards a Lasting Peace in Ireland - unveiled at the 1992 annual conference, said a permanent peace "must involve at some future date the removal of British interference from the political equation in Ireland. There is an onus on those who proclaim that the armed struggle is counter-productive to advance a credible alternative. The development of such an alternative would be welcomed by Sinn Féin".

Two and half years down the road it would appear that alternative has emerged to the satisfaction of the republican leadership, in spite of the fact that the British government has not made the ending of



Tension eases: a British soldier on patrol in the Falls Road, west Belfast yesterday on the second day of the IRA ceasefire

partition a policy goal, as the document argued it must.

"That fact is perhaps the most significant and surprising in the IRA ceasefire decision, and indicative of the distance its has gone in reassessing the value of continuing the 'armed struggle'." Mr Gerry Adams, the Sinn Féin president, emphasised at a press conference in Dublin yesterday that the party's goal remained "an end to British jurisdiction in Ireland and an end to partition". But this should be achieved through negotiation and lead to an agreement "which recognises and encourages the diversity of Irish people and which will earn their allegiance and respect".

Significantly he said: "That is how we would like to see the situation develop. Others may have different agendas and views. How it is concluded is a matter for agreement."

He emphasised that agreement would not be achieved without Unionist participation in discussions.

In effect, the IRA and Sinn Féin have acknowledged publicly that continuation of the military struggle is not the way forward, and that an all-inclusive negotiation process involving compromise might lead to something less than a united Ireland.

Mr Adams yesterday laid out what he saw as the next steps in the process.

● The UK should lift the Sinn Féin broadcasting ban, as the

Republic of Ireland did eight months ago.

● A monitoring procedure for the ceasefire should be established.

● The demilitarisation process should start immediately.

● Full protection should be provided for republicans who have been targeted by loyalists.

● All republican prisoners in the UK should be transferred to their home regions.

● Raids, searches and arrests in nationalist areas should stop.

● Closed border roads should be opened.

● "Political" prisoners should be released - Mr Adams said this included both republicans

and loyalist prisoners "and the

small handful of British Army and RUC prisoners" who have been charged with offences.

He said this "might take time".

Dublin plans to set up its Forum for Peace and Reconciliation, which will involve Sinn Féin, by the end of October. A meeting between Mr Albert Reynolds, the Irish prime minister and Mr Adams is likely in the next two weeks.

Mr Tom Hartley, Sinn Féin's general secretary said: "The ceasefire has created a great momentum. I envisage a series of developments resulting from that. This could take as much as one, maybe two years. Each one of those may create a crisis but they will be dealt with and we will move on."

Mr Hevesi said he wanted to encourage these companies to adopt employment practices worldwide which reflected the so-called McBride Principles adopted by New York. These are designed to give minorities improved access to jobs.

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# Pro-unionist MPs flex their muscles

By David Owen

For the moment they are mainly content to keep a watchful and suspicious eye on the progress of the UK-Irish peace initiative. But if events turn sour - as many of them fear they will - their misgivings could burst damagingly into the open.

The large pro-unionist contingent in Conservative ranks will continue to exert a strong influence over Mr John Major in the aftermath of this week's open-ended IRA ceasefire.

The need to ensure their tacit acceptance of the direction of government policy will be among the main factors shaping the prime minister's words and deeds in coming weeks.

One area in which the views of the pro-unionist grouping could quickly influence the government's strategy is the vexed issue of whether the IRA ceasefire is permanent.

Mr Jim Cran, Tory MP for Beverley yesterday urged the government to take a hard line, saying ministers should insist that Sinn Féin uses the phrase "a permanent renunciation of violence" in its amplification of the IRA statement. "All we have... is a sort of armistice," Mr Cran added.

In practice most Conservatives would probably fall into line once Mr James Moynihan, the Ulster Unionist party leader, let it be known that he was satisfied that the cessation of IRA violence was for good.

Mr Moynihan is expected to return to the subject of Ulster in a newspaper article this weekend.

Ms Lisl Biggs-Devlin, trustee of the Friends of the Union under whose imprimatur Mr Lamont's pamphlet appeared, said she would be "terribly reluctant" for the government to talk with Sinn Féin. "I want to know what will happen to the people who have carried out those terrible crimes," she said.

If pro-unionists do decide to make public their reservations about the course of events next month's Conservative party conference will provide the perfect opportunity.

Not only is there a debate on Northern Ireland, but a series of events is planned on the conference fringe. One pro-unionist said this week that Northern Ireland was destined to be "the big issue in Bournemouth".

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## Tory right

Many pro-unionists still hold profound reservations about the prospect of government officials holding bilateral talks with Sinn Féin representatives.

Earlier this week Mr Norman Lamont, the former chancellor, said in a pamphlet written before the ceasefire that the country "should be spared the sight of ministers of the Crown or their representatives sitting around the same table as men who until three months before were bombing our fellow countrymen".

Mr Lamont is expected to return to the subject of Ulster in a newspaper article this weekend.

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## Peace bond' plan urged to boost aid

By Richard Waters

The expectation among most Tories is that unless the peace initiative goes badly off the rails Mr Major and Sir Patrick Mayhew, the Northern Ireland secretary, are set to be applauded for their efforts for trying to end the violence.

But the strength of the Tory pro-unionist faction should not be underestimated.

The backbench Northern Ireland committee is firmly in pro-unionist hands, under the low-key but effective chairmanship of Mr Andrew Hunter, the MP for Basingstoke.

Its influence in cabinet has also increased markedly with the promotion of Viscount Cranborne, leader of the Lords, and Mr Jonathan Aitken, chief Treasury secretary, in the recent reshuffle.

Mr Alan Hevesi, comptroller (treasurer) of New York City has called for an issue of "peace bonds" to be launched in the US to help support Northern Ireland's economic development once peace is established in the province.

Repeating statements he made in Northern Ireland early in July, Mr Hevesi said Irish Americans would be willing buyers of such bonds, just as Jewish Americans have bought substantial amounts of Israeli bonds.

"A constructive peace process will have a major effect on investment in Ireland, north and south," he said.

The comptroller has used his position as a custodian of New York's public-employee retirement fund to justify his statements on Irish affairs. The fund has \$6bn (\$4bn) invested in companies which have business interests in Northern Ireland.

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## AA Insurance to shed 550 jobs

By Richard Waters

AA Insurance yesterday announced the loss of up to 550 jobs in Cheshire, Cheshire. It said that processing work was being transferred from Cheshire to Newcastle and Cardiff.

Mr Sean Keating, national secretary of the GMB general union which represents most of the staff, said: "This will be a devastating blow but we hope that some of the staff might be redeployed."

He said that insurance industry restructuring driven by the growth of direct sales was the reason for the redundancies.

The company said that a reassessment of AA Insurance was announced in May to ensure that the company retained its position as the "premier personal-fines intermediary in the UK".

Some domestic coal prices frozen

British Coal yesterday announced a price freeze on some domestic fuels, including anthracite, a smokeless fuel used for household central heating. Prices for "selected housecoals", the traditional fuel for open fires, will rise by an average of 0.6 per cent.

Reserves fall \$27m

The UK's official reserves fell by \$44m in August to \$42.54bn, Treasury figures show. On an underlying basis, excluding transactions such as repurchase agreements under the exchange cover scheme, the fall was \$27m, about in line with market forecasts of a \$25m decline.

Girls number one, Page 7

# Cleaners win claim after Lords ruling

Nine former cleaners at ICI Wilton on Teeside yesterday became the first beneficiaries of a House of Lords ruling that part-time workers are eligible for redundancy pay on the same basis as full-time employees.

The women, who lost their jobs last November, learned yesterday that their claim for redundancy pay two months ago had been successful. It is believed to be the first claim of its kind since the Lords decision in March.

The women, members of the Transport and General Workers' Union, were employed by Initial Contract Services.

The industrial tribunal at Newcastle ruled that workers should be paid redundancy money on a retrospective basis as the UK domestic law was not in line with EU legislation.

TGWU district officer Mr Tim Bush said: "We have proved the principle that part-time workers made redundant, who have completed more than two years' employment with a company before the House of Lords decision, can claim retrospective redundancy payments."

Before the Lords decision part-time workers had to work for five years before enjoying the rights gained by full-time employees after two years.

Mr Bush said the amounts due to the women would be worked out later.

# Independent girls' schools dominate exam results

By John Authers

Girls' schools dominate this year's performance in GCSE examinations by independent schools.

When schools were ranked by the proportion of GCSEs - the main examinations for 16-year-olds in England and Wales - resulting in a pass at grades A to C (equivalent to an old O-level pass), 13 of the top 20 schools were for girls only.

When ranked according to their proportion of A-grades, girls' schools were similarly dominant, accounting for 17 of the top 20.

A total of 47.7 per cent of entries in girls' schools scored an A grade, compared with 39.6 per cent for independent schools as a whole.

They enjoyed even greater success in the starred-A grade, introduced this year to recognise outstanding achievement. It was awarded to 2.9 per cent of all GCSE entries nationally, including the state sector, but to 9.9 per cent of entries from independent schools. At Withington Girls' School in Manchester 44.5 per cent of GCSEs entered resulted in a starred-A.

Mrs Margaret Kenyon, headmistress of Withington Girls' and president of the Girls' Schools' Association, said: "Girls flourish in girls' schools."

Overall, the disparity between GCSE performance in independent and state sector schools appears to have widened since last year. In private schools, according to figures

provided by the Independent Schools Information Service, 39.6 per cent of entries were graded A or better, up from 37.8 per cent last year. The figure for all schools is 13.2 per cent, up from 12.7 per cent last year.

Independent school pupils enjoyed more success in gaining at least a C-grade, with 89.4 per cent of entries achieving this level, compared to 83.1 per cent for the nation as a whole. This also revealed that candidates had taken an average of 9.1 subjects each, rebutting allegations that schools were stopping pupils from entering in their weaker subjects to boost their league table standings.

Mr Vivian Anthony, secretary of the Headmasters' Con-

# Archer named in client details for Anglia share deal

By Robert Peston

The stockbroking account set up by Lord Archer for dealing in Anglia Television shares days before the takeover bid from MAI contained his own name as part of the client reference details.

The former Conservative party deputy chairman told Department of Trade and Industry inspectors investigating allegations of insider dealing that he placed the share orders on behalf of a Mr Brook Sait.

It emerged yesterday that the account used by Lord Archer at brokers Charles Stanley for dealing in the Anglia shares was set up in the name of "B Sait Esq, c/o J Archer, Alembic House". Lord Archer has a penthouse in Alembic House.

Mr Alistair Darling, Labour's spokesman on the City, said this disclosure reinforced his party's case that the DTI should publish the report into alleged insider trading, so that the public could judge what really happened. At the end of July, Mr Michael Heseltine, the trade and industry secretary, decided not to take any further action against Lord Archer.

The DTI investigation focused on two orders placed by Lord Archer for the purchase of 50,000 shares in Anglia, whose directors include his wife Lady Archer. The first was placed on January 13, the day after Anglia's board had been given details of the price MAI was prepared to pay for the television company's shares in a takeover bid.

At around 10am, Lord Archer called Simon Wharmby at Charles Stanley. He had never before dealt through Charles Stanley but had used Mr Wharmby's services at his previous stockbroking firms.

He asked Mr Wharmby about the availability of Anglia shares. Mr Wharmby found out that a parcel of 80,000 shares was available.

Lord Archer said that the price being asked was too great, and placed an order to purchase 25,000 shares at around 48p. Mr Wharmby then spoke again to Charles Stanley's dealers, who clinched a deal with a market maker, or wholesaler of shares.

According to stock exchange records, the deal was done at 10.25am. Mr Wharmby then telephoned Lord Archer and told him

the deal had been completed.

INDEPENDENT SCHOOLS' GCSE PASSES (at grades A to C combined)			
School	Boys/girls	Number	% passing
1 North London Collegiate	G	400	100
2 King Edward VI School, Birmingham	G	78	100
3 Longwood School	G	75	100
4 St Mary's School, Chester	G	88	100
5 St Mary's School, Winchester	G	118	99.9
6 The Priory School, Cheshire	G	52	99.8
7 The Priory School, Cheshire	G	52	99.8
8 The Priory School, Cheshire	G	52	99.8
9 The Priory School, Cheshire	G	52	99.8
10 The Priory School, Cheshire	G	52	99.8
11 The Priory School, Cheshire	G	52	99.8
12 The Priory School, Cheshire	G	52	99.8
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14 The Priory School, Cheshire	G	52	99.8
15 The Priory School, Cheshire	G	52	99.8
16 The Priory School, Cheshire	G	52	99.8
17 The Priory School, Cheshire	G	52	99.8
18 The Priory School, Cheshire	G	52	99.8
19 The Priory School, Cheshire	G	52	99.8
20 The Priory School, Cheshire	G	52	99.8

ference, which represents the most prestigious independent boys' and mixed schools, said the results showed that girls performed much better academically than boys at the age of 16.

He suggested, however, that the figures did not prove that girls performed better in a single-sex environment. He pointed out that boys' performance was roughly equal to that of girls at A-level, which

most pupils in the independent sector regard as more important than GCSEs because they are used to determine university places.

Girls number one, Page 7

He had assumed that Lord Archer was dealing for himself. However, Lord Archer said the shares should be booked in the name of Mr Sait. Lord Archer also told Mr Wharmby he would be interested in buying more shares if they became available at a similar price. As a result, the following day Mr Wharmby telephoned him and offered him a second parcel of 25,000 shares, which Lord Archer agreed to buy, again on behalf of Mr Sait. The deal was done at 2pm.

Both deals were completed in such

a way that they counted as falling into the next trading account, which meant no money had to change hands at that stage. The following Tuesday, January 18, MAI announced its £292m takeover bid very early in the morning.

At 10am, after the share price had soared around 160p, Lord Archer telephoned Mr Wharmby and sold the shares, netting a profit after commission of just over £77,000.

An "account payee only" cheque for this amount, made out to Mr Sait, was sent on February 4 to Lord Archer's London address.

Both deals were completed in such

a way that they counted as falling into the next



## £72,000 awarded to RSI sufferer

Sir Marcus, who lists seven directorships and three consultancies in the current register, was selected in July by Labour leftwingers as a token target in their failed attempt to ensure that the privileges committee inquiry was conducted solely by MPs with no outside interests.

The inquiry was triggered by the action of two Conservative MPs - Mr Graham Riddick and Mr David Tredinnick - in agreeing to accept payments of £1,000 to table parliamentary questions.

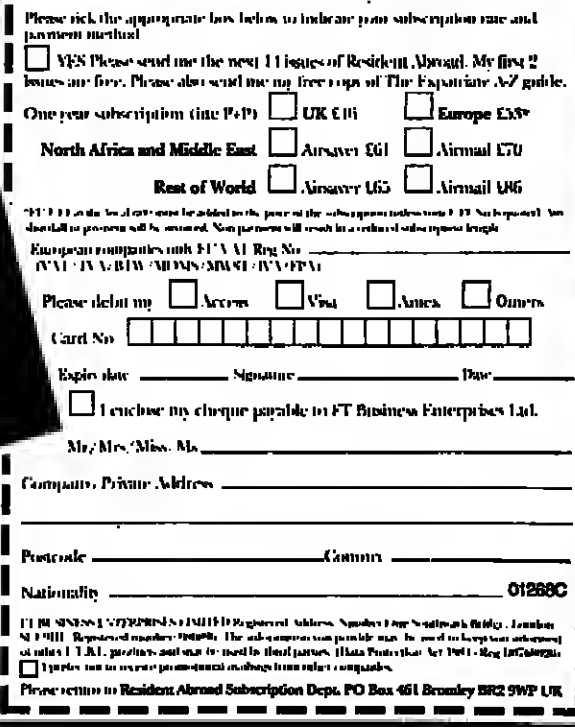
Since then a number of cases have contradicted that ruling and employers appear increasingly to be seeking to settle claims out of court.

The highest UK RSI award was £79,000 to an Inland Revenue typist in January.

It recommended replacing the existing work permit system with identity cards, which would be issued to residents who fulfil criteria - such as long-term residence, birthright and key-worker status - which would be varied according to the island's needs.

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Saturday September 3 1994

## Division of labour day

Out of 'votelessness', comes thoughtlessness. Unable to put people first in Congress, President Clinton would like to see the Federal Reserve take on the mission instead. The lesson from this world recovery, however, is that the central bankers who seem all but indifferent to the employment of their fellow-citizens are best able to deliver the sustainable recovery which, in the long run at least, is the surest way of producing it.

He ought to know better, but Mr Alan Blinder, the new vice-president on the Fed, recently backed up Mr Clinton's demands for more personable monetary policy-making, by suggesting that the Fed should focus more on employment growth for the next couple of years. The attractions for the president are obvious. So far this year, the Fed has delivered on its mandate rather more effectively than the White House, why not broaden it to include more jobs, as well as stable prices?

There are (at least) two reasons why not. One practical difficulty, which would force any central banker who adopted a more explicit employment target, would be deciding what such a target might be. Today's complex mix of labour market and human capital economic conditions in the world's main industrial economies give little clue as to what the best figure might be. The second, more timeless, reason why an additional employment target should be ruled out is that a multiplicity of aims, even if they could all be applied in practice, has proved inconsistent with monetary policy success.

Mr Blinder's comments conflict with remarks by his chairman, Mr Alan Greenspan, who last week warned that addressing monetary policy to the task of reducing unemployment would only bring instability in financial markets. At first glance, however, the US economic data released last week do add weight to Mr Blinder's case.

### Sustainable pace

The revised real growth rate in US gross domestic product in the second quarter, at 3.8 per cent, was only 0.1 percentage points higher than previously thought, a considerably smaller revision than many had expected. Coupled with other subdued data, this adds to the impression that the five interest rate increases since the beginning of the year may be slowing the economy to a more sustainable pace. Given yesterday's news of an unexpectedly small 179,000 increase in non-farm payrolls for August, less dour observers than Mr Greenspan might argue that further monetary tightening should be delayed.

Yet even Mr Blinder would not

argue that a US unemployment rate of 6.1 per cent provides much room for non-inflationary stimuli to job growth. The most optimistic estimates of the rate of unemployment that is consistent with stable prices would not be much lower than 5.5 per cent. This year's household survey and labour department statistics have been sending contradictory signals on employment. But the difficulties in deciphering the data merely suggest that the Federal Reserve should avoid adjusting its interest rate policy in light of short term employment trends.

### German unemployment

The Bundesbank is certainly not one for doing so. This week's Council meeting, once again decided against lowering interest rates, despite the fact that pan-German unemployment continues to rise. With official German unemployment set to peak at about 10 per cent, the Bundesbank's determination to maintain monetary restraint seems downright perverse to the Americans. Yet Germany's economic recovery, though considerably younger than that of the US, already seems rather more 'votable' for Chancellor Kohl than it has been for Mr Clinton.

The difference in the two leaders' positions can be traced to political factors as well as economic ones. But a part of the spring in Mr Kohl's step, as he enters the last stage of his campaign for re-election, can be traced to the way the Bundesbank's tough stance on inflation has already produced low long-term interest rates. These, in turn, have enabled the German recovery to proceed more quickly than many had expected after such a prolonged downturn. The signs are that GDP in the second quarter rose about 2.3 per cent from 1993, considerably higher than expected a few months ago.

Monetary policy can never be as finely tuned as many politicians would like. Estimating the effect of a given change in direction, let alone the time lag with which it operates, will always be a matter of educated surmise.

But the same uncertainty need not, and should not, apply to the declared goals of its practitioners. Presidents have to juggle conflicting objectives and satisfy multifarious constituencies. Central bankers, by contrast, are best employed in sticking to the overriding objective of monetary stability.

To judge by his recent Congressional travails, Mr Clinton too would benefit from showing a bit of single-mindedness. He should certainly resist the temptation to pressure the Fed to imitate his own often excessive desire to please.

Perhaps, after two and a half decades of stomach-churning attrition, this week's IRA ceasefire means the people of Northern Ireland can start burying their differences instead of their dead. Perhaps not.

Whichever direction Ulster takes from what the high command of the provisional IRA calls an "historic ceasefire", it will be too late for Mr Sean McDermott, the 37-year-old catholic shot dead by loyalist gunmen just 12 hours before the midnight ceasefire began.

But, for the baby boy born to Lisa Stewart in Belfast's city hospital six hours and six minutes into the peace, there is the chance of a life free of the troubles which began the year his mother was born.

Whether the province is finally awakening from a 25-year nightmare, which by last night had claimed 3,170 lives, or is preparing for something worse will now begin to unfold, fitfully and unpredictably, over the next weeks and months.

The rows over the calculated decision of the IRA not to commit itself to the "permanent" ceasefire demanded by London and Dublin and on the untimely return to Ulster jails of four republican prisoners, which hinted at secretly agreed concessions by London, will not be the last. They will appear trifling compared with what lies ahead, and the leadership qualities and goodwill of everyone involved will be severely tested.

The timing of a breakthrough delivered by the republican movement came as a surprise after nearly nine months of private variation and public point-scoring on the contents of last December's Downing Street declaration - London and Dublin's best shot at establishing an universally acceptable blueprint for a lasting political settlement for Ulster.

Though the announcement came suddenly, the underlying shift in attitudes has been more gradual.

Upbeat predictions had been made before in the land of false dawns, but this time they reflected a perceptible change in attitudes within the community.

Under the leadership of Mr Gerry Adams, Sinn Féin - the IRA's political arm - has been pursuing for seven years its own Irish peace initiative. Its efforts - against a background of dwindling public support and a growing recognition that consent, not coercion, was the only strategy supported in both north and south - have been met from outside with contempt.

But Mr Adams has managed to cultivate within republican ranks a culture of debate and the notion of political negotiation as an alternative to the armistice. The leadership of Sinn Féin and the IRA appear to understand that the ability to kill has not brought much progress towards British withdrawal and a united Ireland.

While there is no deviation from its ultimate objective of a 32-county Irish republic, it is prepared to try an alternative route. According to Mr Adams: "Irish nationalism has sufficient political confidence, weight and support to bring about the changes essential for a just and lasting peace."

While the IRA and Sinn Féin have made the running - manipulating and sometimes winning the propaganda battle with London - the unionists have seemed to be outflanked and at risk of being swept along by events.

Twenty years ago, hardliners in the protestant community were able to combine forces to bring down the

The IRA's ceasefire represents only the first stage on a perilous road to lasting stability in Ulster, says Michael Cassell

## The struggle to hold on to peace



newly established power-sharing executive, demonstrating a unity and resolve which is no longer evident. Now, the broad body of unionists face a stark choice.

They can try to wreck any new political initiatives to preserve a status quo no longer acceptable in London, or they can help forge a compromise package of political and constitutional change. Confronting them as they choose will be a formidable coalition stretching from Washington to west Belfast. Whatever happens, protestants intend to keep a tight grip on the rock which guarantees Ulster a place in the United Kingdom for as long as the majority wishes.

For Mr John Major, maintaining the unionists' trust will be of paramount concern - hence reports of a prime minister "livid" over the return to Ulster of IRA prisoners. Hence, too, the fact that it was Mr James Moynihan, the patient, profoundly sceptical leader of the Ulster Unionist Party, who was first into Downing Street after the ceasefire announcement.

So far, Mr Moynihan remains on board and behind a Downing Street declaration he once dismissed as "a dead Christmas tree". And he will be called on to try contain the loyalist paramilitary threat to further progress. Yesterday, hopes were rising that, while further revenge attacks by loyalist extremists cannot be ruled out, they might sus-

pend violence if reassured about Ulster's right to self-determination.

Mr Major, whose bold, joint initiative with Dublin has brought republicans to the negotiating ante-room, will be less concerned about the continuing self-exclusion from any future talks of the Rev Ian Paisley's Democratic Unionist Party. The hope is that, eventually, his still-potent votes will be undermined by political momentum.

Provided the IRA ceasefire holds, Downing Street is unlikely to delay much longer recognition that the IRA action is intended to be permanent. This would mean that initial, exploratory contact between British government officials and Sinn Féin could take place before Christmas. Sinn Féin dialogue with the Dublin government will begin earlier, with Mr Albert Reynolds, the Irish premier, anxious to embrace northern republicans in his proposed north-south Irish Forum for Peace and Reconciliation. The forum could be operational by October.

Mr Adams, on a path perhaps even more dangerous than Mr Major's, will need rapid evidence that the ceasefire is paying dividends to keep his supporters behind him. The UK government is likely to oblige with an early end to the broadcasting ban on Sinn Féin.

Equally important for British ministers will be success in their joint efforts with the Irish government to piece together the pivotal

framework document on which political and constitutional progress can be based. The document could be finalised next month, and will include a power-sharing Ulster assembly and a number of cross-border institutions.

It will also incorporate changes to the Irish constitution, possibly involving a referendum, renouncing Ireland's territorial claim on the north, in return Britain will amend the 1920 Government of Ireland Act which gives Westminster "supreme authority" over Northern Ireland. The gesture is seen by Britain as largely symbolic, given subsequent legislation enshrining the principle of majority consent for changes in Ulster's constitutional position.

The format for planned bilateral exploratory talks between Sinn Féin and British government officials is undecided. But secret discussions between the two sides in 1993 envisaged exchanges involving three representatives from each side.

These talks will enter totally uncharted waters and could easily expose the obstacles that cause the peace process to come unstuck. Under the heading "practical consequences of ending violence", will come the intensely emotive and complex question of all-round demilitarisation, without which further progress will be impossible.

Any hope of bringing all parties to round-table talks will stand or fall on the removal of terrorist

weaponry and the threat it could be used again. Sinn Féin and the IRA will be equally adamant in demanding a comparable de-escalation of British military and security forces, including a withdrawal of British troops initially to barracks and ultimately back to the mainland.

The issue of IRA prisoners will prove as intractable. "Our prisoners come first and last. If they are not released, you can forget the whole thing," a senior republican source says. Downing Street has rejected a general amnesty, and unionists intend to keep Mr Major to his word.

Only when the matters of weaponry and prisoners have been resolved can the crucial constitutional issues be addressed in wider talks aimed at securing a comprehensive, negotiated political settlement.

At their heart is the issue of self-determination and what Sinn Féin calls the loyalist "veto" over moves towards a united Ireland. The going here will be no easier.

Republicans have now embraced the principle of unionist consent, but only in the context of the right to self-determination of the Irish people as a whole. In other words, Ulster can have its referendum but only the decision of all the people of Ireland will count.

Mr Adams also insists that Britain has a responsibility to persuade unionists that their best interests lie in "the creation of an agreed and stable Ireland". Mr Major, however, will not join the persuaders or withdraw safeguards for unionists. A shift on either could see him destroyed at the hands of Westminster's Ulster unionists and unhappy Tory MPs.

The agenda for agreement looks impossibly daunting but then, until recently, the prospect of any progress between two historically and diametrically opposed forces appeared fanciful.

If the politicians have their doubts, an Ulster opinion poll yesterday showed only 9 per cent of protestants and 58 per cent of Catholics believe the ceasefire will last. Suspicions are held equally deeply on both sides; those of Ulster's protestant community who can contemplate negotiation with those they consider mass murderers do so only because the prize of peace is desperately sought.

There are understandable suspicions that the IRA's gesture is a sham, and that the organisation is only intent upon further destabilising the province before returning to violence when it can justify a resumption.

Republicans believe they have cause to doubt the good intentions of a British government they say has betrayed them too many times in the past and which wants to trap them into a peace before replacing Ulster on the political back-burner. The IRA and Sinn Féin know that the passage of time would make any return to violence increasingly difficult to justify and would lose them any credit recently won from a relieved domestic and international community.

But, as the week ended, there was an unfamiliar, enjoyable peace along the Shankill and up the Falls, across the Highfield estate to Andersonstown. Republicans have a Gaelic battle cry of *Tuaghaidh ar lár* - our time will come - while hard-line unionists shout "No surrender!" The two sides remain divided by a gulf of historic proportions but the overriding hope is that the gap may just have started to close.

## MAN IN THE NEWS: Dieter Bock and Tiny Rowland

Whatever it is that Tiny Rowland takes to keep himself going at the age of 76, it does not come from Body Shop. This week he confronted an incipient boardroom coup at Lonrho, the international conglomerate, and emerged triumphantly unscathed, like some ageing tyrannosaurus crashing through the corporate undergrowth.

The lesser species who had sought to unseat him, including his fellow joint chief executive Dieter Bock, were simply outmanoeuvred. Thus it ever was at Lonrho, where the choice for Tiny's fellow directors has usually lain between total subservience and total war. The middle ground has always, in the end, turned out to be illusory.

The chief *casus belli* in this instance was the £5.6m a year that Rowland is said to cost Lonrho in salary and expenses. Along with a basic salary of £1.2m he receives numerous payments towards the cost of his homes in Belgrave and Buckinghamshire. His domestic staff and even the education fees of dependants of African politicians and business contacts. There is much at stake, it seems, for the public school system in the outcome of the Lonrho succession.

The most extraordinary feature of this latest twist in the Lonrho saga is that it so closely resembles the earlier, notorious boardroom row in 1973. That was when Edward Heath, the then prime minister, pronounced anathemas on Rowland by referring to the unacceptable face of capitalism. There, too, part of the argument turned on pay and expenses. And in a subtly managed campaign Rowland routed the so-called "straight eight" directors who were seeking to throw him out.

Much water has passed under the bridge since then, but not a great deal else. In the 20 years after the row turnover increased from £274m to £3.9bn, while earnings per share ran the whole gamut from A to B, with a rise from 6.0p to 6.4p. Last year finally saw alphabetic progress

## Elderly boss keeps colleagues in place

in the shape of a jump to 15.1p, but this was levitation. Most of the money was earned in discontinued operations which were shed to bolster Lonrho's cash position. In real terms the share price languishes at around one-fifth of the level it reached at its peak in the bull market of 1983.

The one thing that generated a consistent and rising cash flow for most of that time was the dividend policy, which helps explain why Lonrho has always lived on the edge of a never-ending cash crisis.

Nor was this at the urging of greedy institutional shareholders. The big insurance companies and pension funds had boycotted Lonrho since 1973, thereby ensuring that Rowland could tyrannise over the tiny stakes of impatient small shareholders, who supported him for longer than anyone else would have thought humbly possible.

The chief beneficiary of these overgenerous payouts, until Bock arrived on the scene, was of course the biggest shareholder: Rowland himself.

Another extraordinary feature of this week's events is the apparent belief of some Lonrho directors that there is a civilised alternative to a damaging row. In any company which was being damaged to the tune of £5.6m of potentially controversial expenditure a year that premise would be questionable.

At Lonrho, where all history indicates that the only way to remove Rowland from the boardroom is with a crowbar, the notion is absurd. The fearsome septuagenarian entrepreneur has too much at stake, starting with the annual £5.5m and ending with an emotional attachment to Lonrho that is both real and fierce.



What is needed for the task is the will - and indeed the skill, since no one is more adept at removing other people's crowbars than Rowland. On the basis of this week's form, Bock would appear to have been rather easily mugged. Nor is it wholly clear that this German businessman is the right man to take Lonrho forward.

Whoever runs Lonrho over the next year or two can hardly avoid doing well. As a global ragbag of more than 600 businesses, which are mainly passive hostages to economic cycles and fluctuating commodity prices, Lonrho is an obvious beneficiary of the recovery that is spreading inexorably across the world. With many of its operations in developing countries it can also benefit, in its disposals programme, from the enthusiasm for emerging

markets. Bock claims to be a sophisticated investor who has dealt successfully in property and hotels. He should thus know how to shuffle the pack to good advantage. Yet the key to a sustainable long-term strategy at Lonrho lies in managing the assets rather than shuffling them.

Last year Lonrho's motor and equipment distribution business and its manufacturing interests had a combined turnover of more than £300m from which they extracted no profit at all.

More than £500m worth of hotel property generated pre-tax profits of only £12m. In Britain, where turnover topped £700m, the pre-tax profit was a mere £4m. This litany of under-performance could be extended *ad nauseam*.

Bock's past does not suggest that

he is the man to address that particular gargantuan task. And from the point of view of outside investors he may appear a mixed blessing in another sense. He maintains business interests outside Lonrho which involve him in potential conflicts of interest. An obvious case in point relates to property, where his participation in a big City of London office development with Lord Palumbo is being undertaken through his private interests. Yet Lonrho is no stranger to property.

No doubt the German could argue that the financial commitment would be inappropriate for Lonrho in its present condition. But much of the talent that has afflicted the company over the years, and which prompted the original Department of Trade investigation into its affairs, goes back to the potential conflict between Rowland's private and public interests. Once again history appears to be repeating itself in an uncanny way.

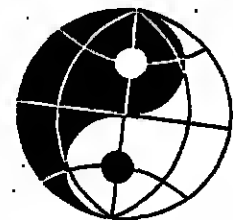
Last October Rowland said of his adversary, in a characteristic outburst: "I'm still waiting for some performance from him. So far he hasn't delivered a stroke of business. Frankly, he hasn't a clue." Maybe or maybe not. But Bock does have more than 18 per cent of the capital of Lonrho, together with a right to acquire most of the remaining 8 per cent or so owned by Rowland. Meantime two long-standing Rowland supporters on the board, chairman René Leclercq and deputy chairman Robert Dunlop, are due to retire.

This suggests that Bock will in due course feel able to rise to the challenge. But before he takes a new crowbar to the greatest carver in British business he would do well to prepare the ground with more care.

An excellent precautionary move would be to feed the vegetarians in the Lonrho boardroom with a steady diet of good red meat. In the country of the blind, even a 76-year-old tyrannosaurus stays king.

John Plender

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# Money, kids and family rows

Debate at the UN's population summit is about how, not whether, to curb growth in numbers, says Bronwen Maddox

In the past two years Dr Nafis Sadik has travelled to more than 150 countries, some more than once, while preparing to chair the United Nations conference on population and development which begins in Cairo on Monday. Her grandson, she says, assumes she must have a tyrannical boss who orders her to travel constantly. Dr Sadik is amused by the irony, as the conference's aim - and the target of bitter attacks from governments and religious groups - is to give women more control over their lives.

This weekend, as more than 10,000 delegates, lobbyists and journalists from 170 countries gather in the African continent's most populous city, battle lines have been drawn in an unlikely alliance against the UN's draft policy document. Pope John Paul II has accused the conference of promoting abortion as a means of contraception, while Egypt's Al-Azhar University mosque, influential in the Muslim world, has criticised the draft agenda for condoning homosexuality, premarital and adolescent sex.

Apparently moved by such concerns, Saudi Arabia and Sudan, both Moslem countries, have announced they are boycotting the conference. The decision of Turkey's prime minister, Tunc Ciller, and Bangladesh's prime minister, Ms Begum Khaleda Zia, not to attend may also have been influenced by the mounting religious opposition.

Such reactions are unsurprising: the issues bring to the fore the sorest divisions between governments, cultures and religions. Two years ago, Britain's Prince Charles accused the Rio Earth Summit of ducking population control and contraception issues because of their contentiousness, despite their relevance to environmental concerns.

Yet Cairo opens with a greater level of international consensus on the desirability of lower birth rates than was imaginable 10 years ago at the

UN's last population conference in Mexico. This partly reflects a new recognition of the scale of the problem. The UNFPA - the UN population fund, of which Dr Sadik is executive director - estimates the world's population will nearly double to 10bn from 5.7bn by the middle of next century. In the light of such projections, many African countries, which appeared uninterested in curbing population growth a decade ago, have undergone a sea change in attitude. Part of the reason has been the impact of rapid population growth on over-stretched health and education plans. Moreover, some such as Dr Fred Sal, Ghanaian president of the International Planned Parenthood Federation, which promotes family planning services around the world, argue overcrowding has been a factor in Rwanda's turmoil.

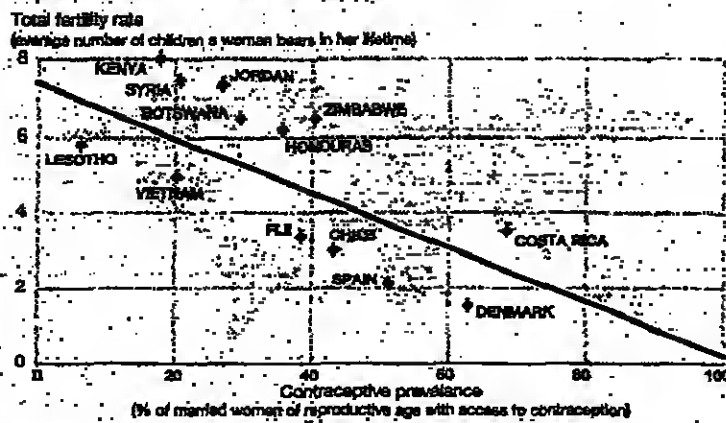
But the greater consensus also reflects a new confidence among countries that family planning can work. That optimism is based on the sharp falls in fertility rates - the average number of children borne by a woman - in most developing countries since the Mexico conference. To demographers' surprise, rates have fallen even where economic development has been slow, confounding conventional wisdom. Easy access to contraception (see chart) is one of the most important factors leading to smaller families, experts now argue.

Countries which have not shown such declines in fertility rates and are still ambivalent or sceptical about family planning tend to be relatively affluent with small populations, particularly Moslem countries in north Africa and the Gulf. But even Pakistan, which for years made little attempt to curb high fertility rates, has recently begun to promote family planning programmes vigorously.

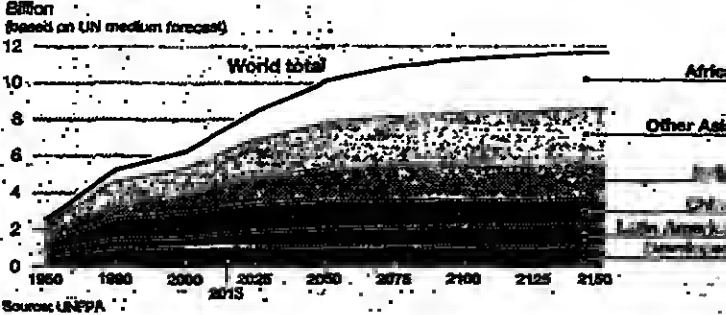
Despite the new agreement on goals, however, there is still wide disagreement about how to get there. Cairo delegates expect fierce debate

## World population: more and more

Fertility and contraception availability



Population projections by region



on two fronts: the final wording of the UNFPA's policy guidelines on family planning, and its proposed financial support for family planning should triple to \$17bn a year by the year 2000. The UNFPA wants at least a quarter of this funding to be supplied as international aid, the rest via national programmes.

In the countdown to Cairo, the noisiest criticism has centred on how the final text will view abortion. Dr Sadik, who calls the row a "red herring", believes the Vatican is using the issue of abortion to rally support for its opposition to any contraception. She points out the draft agenda

well as governments have begun to show a wider unease about the agenda's proposals for improving sex education for teenagers, and for more general education for women and girls. The Iranian Health Minister, Mr Ali Reza Marandi, has criticised the conference for "ignoring Islamic values" and promoting "sexual liberty". According to Dr Sadik, "in the preparatory committee meetings, every government wholeheartedly endorsed empowerment of women, outdoing even the language of women's groups. But now they are starting to recognise what it means."

As well as trying to settle such controversial points, governments will have to tackle the funding question. It will hardly be plain sailing. Some developing countries are wary of having to adopt western values to receive international aid. Others are concerned that some of the western contribution to total funding will be taken out of other aid budgets. According to Dr Sadik: "I will not count it as failure if we don't get it [the \$17bn], but I will be very disappointed."

But however stormy next week's debate becomes, it is population growth, not the Cairo agenda, which presents governments with difficult choices. On the one hand, if they tolerate present fertility rates, they face the threat of social disruption: strains on natural resources will increase and people leave the countryside in search of jobs in crowded cities. If they need any reminder of those threats, China provides a graphic example: even though the Beijing government has taken tough measures to bring down family size, a projection two weeks ago estimated half of its population would be living in cities by 2010, against less than a third today.

On the other hand, if governments promote easier access to contraception, they can expect big changes in women's social role. Those are, notably for conservative countries, uncomfortable options. But however many amendments are made to the Cairo agenda, demographers' arithmetic shows governments cannot expect their societies to stay the same.

John Authers on why the female of the species is top of the class in the UK

## Girls just wanna be number one

North London Collegiate, the girls' school whose pupils this year scored better in GCSE exams than any other independent school's, was once proud of its cookery and needlework lessons. Not any more. Its old canteen room has been converted for craft, design and technology.

The move highlights a transformation in the aspirations and confidence of girls' schools. Not only are more girls studying traditional boys' subjects - they are beating them across the board. "Girls overtook boys at GCSE level [the main exams for 16-year-olds in England and Wales] a few years ago, and it would not surprise me if they've now overtaken at A-level as well," says Mrs Joan Clanchy, headmistress at North London Collegiate.

The figures support her claim. League tables, which rank schools by exam performance, have shown girls' schools persistently matching and even beating better resourced boys' schools.

Complete figures for the state sector's performance in this year's public exams will not be available until November. But yesterday's GCSE rankings for independent schools showed girls' schools

occupying 18 of the top 20 places. At North London Collegiate, 81.5 per cent of all the GCSEs taken resulted in the top "A" or "A-star" grades. Similarly, last week's A-level result league tables for independent schools showed sharp improvements by girls' schools - notably boarding schools. Malvern Girls' College rose to 13th, from an average over the past five years of 42nd, while Roedean improved to 27th from 96th.

League table rankings such as these are helping girls' schools beat off fresh competition for pupils from the many boys' schools that opened their doors to girls in the 1980s.

Mrs Ann Longley, headmistress of Roedean, said: "The facts show single-sex girls' schools are doing an excellent job. Girls would not choose to stay if they were not enjoying the single-sex environment and feeling fulfilled."

Single-sex education is coming back into vogue and is even being reintroduced in some schools. From this autumn, for example, Sheffield High, a mixed school in Essex, is responding to parents' demands by teaching its boys and girls in separate classes. Other state schools are considering doing the same.

But this league table evidence may not be the vindication of single-sex education for girls it at first seems to be. Girls appear to be doing better on average than boys in the past decade, but girls' examination results have improved far faster than boys' at all levels of education from the age of 16.

According to the Department for Education, in 1992, 45 per cent of girls passed five GCSEs at grade C or above (equivalent to a pass in the old O-level), while 38 per cent of boys reached the same standard. That suggests girls' schools may do best in league tables simply because they have more girls.

The disparity between the two sexes has been widening for the past decade. The introduction of GCSEs in 1988, with a greater emphasis on coursework than O-levels, may have benefited girls when, educationists agree, tend to be more disciplined in their study than boys at the age of 16.

Mr Vivian Anthony, secretary of the Headmasters' Conference, which represents the most prestigious boys and co-educational schools, says that at GCSE level boys "are much more likely than girls to decide they don't care".

A more profound reason for girls' growing success from 16 is that they have become more ambitious in the past two decades about careers. Government estimates suggest that 40.1 per cent of 16-year-old girls will attempt A-levels next year, against 33.6 per cent of boys. That represents a wider disparity than in 1992, when the respective figures were 31 per cent and 26 per cent; 10 years ago the equivalent figures were 22.3 per cent and 21.1 per cent.

More women are also going to university. Government figures this week showed women accounted for 49.5 per cent of occupying 18 of the top 20 places. At North London Collegiate, 81.5 per cent of all the GCSEs taken resulted in the top "A" or "A-star" grades. Similarly, last week's A-level result league tables for independent schools showed sharp improvements by girls' schools - notably boarding schools. Malvern Girls' College rose to 13th, from an average over the past five years of 42nd, while Roedean improved to 27th from 96th.

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The world chess champion lost to a computer, but man still has the upper hand, says Clive Cookson

## Chips can't (yet) do everything

When a chip chopped a chess champ this week, commentators were quick to proclaim another victory for computers in their long struggle for mental superiority over the human brain.

By knocking Garry Kasparov, the world champion, out of the Intel Grand Prix in London, the Pentium micro-processor certainly shocked the chess world - and saddened some people who thought its triumph would remove the game's intellectual mystique.

Although computers have been beating good players for several years, few people expected their first serious victory at the highest level to come so soon.

"A lot of people thought there was a qualitative difference between most grandmasters and the elite handful of potential world champions," says Manny Rainer, formerly an international chess player and now an artificial intelligence specialist with SRI, the Cambridge research consultancy.

"I'm beginning to think now that there might not be such a gap after all."

But Kasparov's defeat will have less psychological impact on artificial intelligence research than on the world of chess. In computing's pioneering era in the 1950s and 1960s, researchers learned a lot of important programming techniques by teaching computers

to play chess. Things are very different today.

Chess computers have become a minor sideshow with little relevance to mainstream research. Scientists trying to mimic human intelligence in machines now prefer to work on problems related to the everyday world, such as translating between languages, enabling a robot to steer around obstacles or assessing the creditworthiness of bank customers.

For all its reputation as the queen of intellectual pursuits, chess is a self-contained small world with little scope for surprises - in other words, ideally suited to computing.

The personal computer that defeated Kasparov - containing Intel's latest Pentium processor and running a Genius 2 chess program - costs only \$2,000 but it can carry out 16m calculations and analyse 100,000 possible moves every second. And that is fast enough to out-think a human player.

"Kasparov has relied on his experience and that's no longer enough," says Professor Bill O'Riordan, head of advanced research for ICL, the UK-based computer company. "It comes to all of us - he is just too slow."

"Watching the human being becoming more and more distraught, while the computer remained as impassive as ever, was strangely unsettling," says Andrew Finan, a tournament

official. "Kasparov is feeling very very sore - he has gone underground and is not giving any interviews."

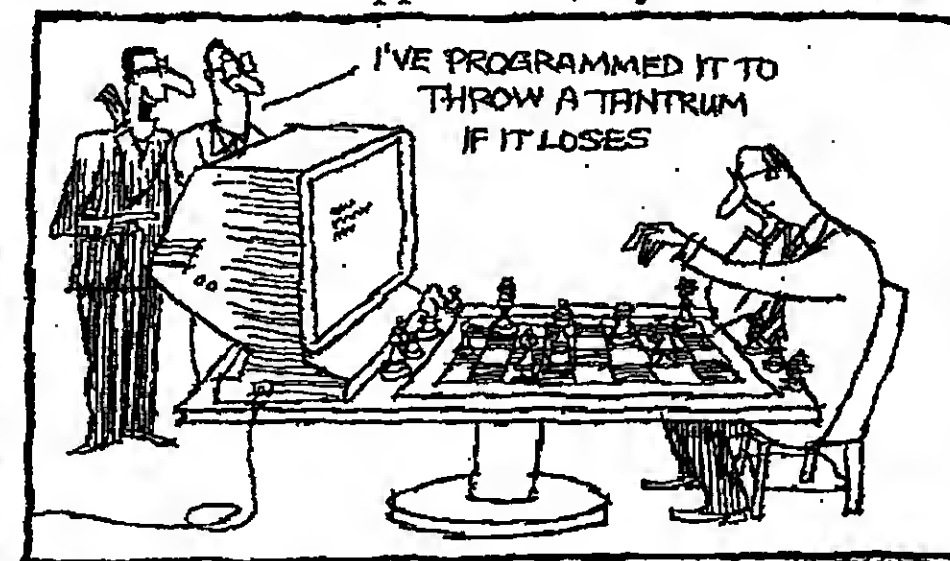
The Intel Grand Prix is a computerised "speed chess" each player has 26 minutes to make all his moves. Fast calculating is at least a premium in a normal tournament, when 40 moves have to be completed every two hours.

However no one doubts that, with the processing power of silicon chips doubling every two years, cheap computers will soon be able to beat the best human players under those conditions too.

O'Riordan does not agree, however, that chess will be diminished as a game. "On the contrary," he says, "once we realise that man will never again beat the machine, we should feel liberated and treat chess as a pure sport again."

In draughts (or checkers, as it is known in the US) the champions have also succumbed to the power of computers. But there are other intellectual games in which the human brain still reigns supreme. One is Go, which originated in east Asia 4,000 years ago, making it more than twice as old as chess.

The rules of Go are simpler than those of chess but it has a larger board and more poten-



tial moves at every stage. As a result, the balance between long-term strategic thinking, which is the forte of the human player, and short-term tactics, at which the computer excels, is tilted in favour of the former. Good Go players need not fear defeat by a computer for many years.

Chess and Go are "games of perfect information": nothing is hidden from the player. Computers are less successful at card games such as bridge, where the course of play is less predictable and psychological factors are more important.

"The best bridge computers today are not even up to good amateur standard," Rainer says.

"The kind of skills you need for chess are not very useful for anything else - developing

a good bridge program would be much more useful for good artificial intelligence research. "Bridge is a trickier game all round for the computer, because you have to reason about probabilities rather than certainties and you have to think about what your partner is thinking the whole time."

If machines are ever to become bridge champions, they may not be created by programmers dedicated to producing a bridge-playing equivalent of the Genius 2 chess computer. Instead, they may emerge from more general research into intelligent machines capable of learning human behaviour.

The most ambitious research of this sort is in progress at Massachusetts Institute of Technology's artificial intelligence laboratory. Scientists there are creating Cog, a humanoid robot which Daniel Dennett, one of the team, says will be able to "interact with human beings in a robust and

versatile manner in real time, take care of itself and tell its designers things about its condition that would otherwise be extremely difficult if not impossible to determine by examination."

If Cog can play bridge, this will be a by-product of its general learning skills, not its main reason d'être. And unlike today's chess computers, it will be physically capable of making its own moves. Cog will have eyes to see the cards, arms to play them, ears to hear the bidding and a voice to speak itself.

Although a primitive first-generation Cog exists, it will probably be several decades before the robot develops sufficient understanding and adaptability to play bridge with people.

By then the thought of a human chess champion playing a computer will seem as ridiculous as it would be today for a sprinter to race against a Formula 1 car.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Banish this elitist to Bermuda Triangle

From Mr Tony Wright.  
Sir, The blatant elitism portrayed by Michael Thompson-Noel ("The English coast and its holidays from hell", August 27) is a perfect illustration of the class prejudice which continues to inhibit economic growth in the UK.

His damning attack on English seaside resorts as "clapped-out and working class whose fate is to play host to the poorest and least sophisticated

of Britain's stay-at-home holidaymakers" is a slur on resorts and an insult to a vast sector of society.

Far from being a fate, a resort such as Great Yarmouth prides itself in providing a range of facilities, attractions, entertainments, heritages appeal and surrounding countryside enjoyed by 2.6m visitors each year. We all know there are changes in holiday patterns, but the more enlight-

ened resorts such as Great Yarmouth are responding to them and the seaside remains the core of domestic tourism.

Perhaps when Mr Thompson-Noel is exploring his "fave" Sarawak or sunning himself on a beach in Penang he will spare a thought for those poor unfortunate who cannot afford to join him and have to put up with their version of the Far East on the Norfolk coast.

As our local newspaper, the Eastern Daily Press, put it, incredulous at the tenor of the article, maybe next year dear Michael should try a sailing holiday in the Bermuda Triangle!

Tony Wright, chairman, economic development committee, Great Yarmouth Borough Council, Town Hall, Great Yarmouth, Norfolk NR30 3QF

## An eccentric view of independent nation

From Mr Adrian P Hewitt.

Sir, You have an intriguing way of announcing the news that Sir Julius Chan was voted in as prime minister of Papua New Guinea by the national parliament - "Australia puts faith in new PNG prime minister" (August 31). And might it not be worth reporting the views of the Papua New Guineans who have enjoyed independence for a generation?

Your report became even more eccentric in its first paragraph, locating PNG as "a

resource-rich nation adjoining Indonesia's Irian Jaya". Well, up to a point. Australia's world view (and its obsession with Indonesia) is interesting in its own right, but PNG - by far the largest South Pacific country - merits separate treatment, please.

Adrian P Hewitt, deputy director, Overseas Development Institute, Regent's Circle, Regent's Park, London NW1 4NS

## Pendulum can swing it

From Mr Ian M Harris.

Sir, May I offer a simple solution to the signalmen's dispute (and indeed to all such differences). Under pendulum arbitration, an arbitrator is appointed whose task is to find for one side or another, but not to negotiate any further compromise. It is incumbent therefore upon each side to put forward their most reasonable claim, and one which they

believe an independent third party will favour.

This has the effect of bringing both sides quite close to each other, and removing the issue of loss of face. I commend it to RMT and Railtrack. Ian M Harris, Bonus Machine Company, Dukinow, Team Valley Trading Estate, Gateshead NE11 0LF

## Legislation is only course to ensure companies meet specified payment periods

From Mr S A Mendham.

Sir, I read with disappointment your editorial on the subject of late payment of debt ("Venturing capital", August 31).

We all understand the reluctance to legislate but in order to achieve a level playing field legislation is sometimes the

only approach. The enforceability of contracts is the cornerstone of an efficient market economy. At present there is no effective redress against the customer who chooses to pay late, typically by 30 or 40 days. The sums outstanding are vast. We estimate them at £20bn equivalent to small business

overdraft borrowing. This has a significant impact on the economy and voluntary measures have not worked.

After all, it has to be remembered that David Trippier, the then small business minister in 1986, said: "If these voluntary measures do not help to improve the late payment of

the debt situation in this country, then we will not shy away from legislation". Eight years later we are being told the same thing by Michael Heseltine, the trade and industry secretary.

It has to be recognised that if legislation were introduced companies may initially extend

specified payment periods. However, in general this would merely reflect existing actual payment periods. It is better to know when you will be paid than leave it to the whim of recalcitrant customers.

Finally, the Forum of Private Business has been investigating this issue for 10 years. Our

claim is that the vast majority of business owners will not be aware of a statutory right to interest but payment periods will improve.

S A Mendham, Chief executive, Forum of Private Business, Ruskin Chambers, Drury Lane, Knutsford, Cheshire WA16 6HA

## Cost-effective change

From Mr Peter Olsen.

Sir, Re your editorial ("England's local shambles", August 29), I feel some issues need addressing to prevent your readers from being misled. As I understand it, the Local Government Commission's brief was to devise structures which were based on identifiable communities, cost-effectiveness and what people want. Having kept a watchful eye over the debate and developments affecting reorganisation in Cleveland, I feel there is no doubt the commission has scored highly on all three counts.

Indeed, the commission's decision to abolish the two-tier system and replace it with four districts will improve accountability, bring services closer to the people and enable the real needs of our local communities to be better met.

On cost, the commission has indicated that the move to single tier councils in Cleveland will produce savings of between £5m and £11m a year, assuming services are maintained at their existing levels. Based on this calculation, reorganisation will pay for itself within three years.

Peter Olsen, Clark Whitehill, chartered accountants, 40 Victoria Road, Hartlepool, Cleveland TS26 8DD

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## COMPANY NEWS: UK

Shares fall 31p to 628p on caution over second half

## Pearson rises 50% to £96.3m and plans sale

By Raymond Snoddy

The shares of Pearson, the media and entertainment group which owns the Financial Times, fell by 4.7 per cent yesterday, in spite of a 50 per cent increase in pre-tax profits from £46.3m to £69.5m for the six months to June 30.

The 31p drop to 628p, the worst percentage performance by a FTSE 100 company yesterday, reflected disappointing results from the book publishing division, a modest interim dividend increase and fears of increased pressure in the second half which will not benefit from special factors that boosted the first half.

Lord Blakenham, Pearson chairman, admitted that "progress will be harder during the rest of the year."

Pearson also formally marked the end of its transition from conglomerate to media company by saying it planned to sell its remaining 41 per cent stake in Camco International, the oil services company. The sale of 59 per cent of Camco at the end of last year raised nearly £230m (£142m).

Pearson's operating profit rose by 31 per cent to £67.5m

(£51.5m) on turnover down by 21 per cent to £548.8m (£544.4m). Earnings per share rose by 48 per cent to 9.2p (6.2p) and the interim dividend is up 7 per cent to 5.75p (5.375p).

Direct comparisons with the first half of 1993 are difficult to make because the intervening period has seen the demerger of Royal Doulton china, the sale of the Camco majority stake, and the receipt of £52m from British Sky Broadcasting in partial repayment of loans.

There was also a strong contribution from Thames Television with an operating profit of £10.4m - its first contribution to a Pearson first half year - and earnings from Ertel, the electronic information business.

Newspapers led the way in profit growth with a 68 per cent increase in operating profit to £38.8m. The Financial Times was up 91 per cent at £22.5m, although an associate company Les Echos faced a difficult market in France.

The book division came under pressure, particularly in the school and college market in the US and operating profit at Longman fell by 82 per cent from £6m to £1.1m. Despite

record deliveries of Penguin books, the division had an overall loss of £7m compared with a £1.7m profit in the 1993 first half. Most profits from book publishing are earned in the second half.

Profits from visitor attractions such as Tuscan Group more than doubled to £5.5m but attributable profit from investment banking fell from £16.4m to £13.7m mainly because of pressure on New York business.

Mr Frank Barlow, Pearson managing director, confirmed that the company would launch two channels of satellite television with the BBC in Europe early next year and was looking at other ventures with the Corporation. He also confirmed that talks to buy a 10 per cent stake in TVB, the Hong Kong broadcaster, had broken down on price some weeks ago. Lord Blakenham said organic growth and acquisitions would be supplemented by a series of alliances with other companies.

Mr Derek Tarrington, media analyst at Kleinwort Benson, maintained his full-year pre-tax profits forecast at £235m. TVB stake sale, Page 9

## Protests grow over Body Shop article

By Neil Buckley

A member of the advisory board of US magazine Business Ethics has resigned in protest over the magazine's decision to publish an article critical of Body Shop International, the UK-based "green" cosmetics group.

Mr Ben Cohen, co-founder of Ben and Jerry's, the socially responsible ice-cream maker previously described by Body Shop as "like a brother company," said he had warned the magazine he would resign if it went ahead with the story.

News of his resignation came as Body Shop issued a further rebuttal of the article's contents.

Mr Cohen called the article, by Mr Jon Entine, an investigative journalist, a "disgrace" which he said "represents a media outlet's failure to do its job."

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## Fund management boosts Schroders

By John Gapper, Banking Editor

Schroders, the merchant bank, yesterday announced that it wanted to remain independent from securities brokers in the UK as it disclosed a 7.8 per cent rise in pre-tax profits for the 1994 first half to £102.2m.

Mr George Mallinckrodt, chairman, said there was no intention of buying a stake in a broker such as Cazenove & Co or Smith New Court in an effort to become an integrated investment bank similar to SG Warburg.

Mr Mallinckrodt spoke after rumours that Schroders might follow its acquisition of the remaining 49.5 per cent of its US subsidiary Wertheim Schroder with a UK acquisition.

Mr Mallinckrodt said the firm had taken on 300 extra staff, but partly because it had provided more in the first half this year against bonuses to be paid for the full year.

The fund management business gained from a strong inflow of new business, and funds under management grew from £52.9bn to £58.1bn despite a fall in market values. Corpo-

rend to 6p (4p) after earnings per share rose to 56.6p (55.1p). But Mr Mallinckrodt said this was partly to restore the interim to being about one third of the total.

"I am anxious to make it clear this does not mean there is another significant dividend increase in the pipeline next year," he said. Net asset value per share rose to 572p from 474p, and shares closed 25p down at 14.75p.

Earnings from fund management nearly doubled to £40.8m (£22.7m), while those from merchant and investment banking fell from £73.2m to £62.8m. The fall in the latter was mostly due to a drop in dealing income from £32.8m to £18.4m.

Expenses rose to £157.2m from £132.5m. Mr Mallinckrodt said this was mostly because it had taken on 300 extra staff, but partly because it had provided more in the first half this year against bonuses to be paid for the full year.

The fund management business gained from a strong inflow of new business, and funds under management grew from £52.9bn to £58.1bn despite a fall in market values. Corpo-



George Mallinckrodt: not interested in UK securities acquisition

rate finance activity also picked up through mergers and acquisitions.

Capital increased by £64m but £76m (£51m) will be absorbed by a goodwill write-off from the Wertheim acquisition. The write-off comprises a \$41m premium over book

value, and \$35m of goodwill carried in Wertheim Schroder's accounts.

Mr Mallinckrodt said the price was "at the top end" but the overall purchase price including that for the original stake in Wertheim was advantageous.

## Bus side fuels strong advance at Henlys

By Caroline Southey

Strong demand for buses helped pre-tax profits at Henlys, the motor trading and bus and coach manufacturing and distribution company, jump from £3.22m to £8.46m in the six months to June 30.

The result included a £1.9m profit from property sales.

Turnover rose from £188.2m to £199.5m with the motor division contributing £189.5m (£154.5m) and the coach and bus side £9.7m (£33.7m).

"Trading conditions remain competitive but we are encouraged by the rate and strength of growth in the bus and coach division," Mr Robert Wood, chief executive, said.

A strong demand for buses helped push vehicle registrations up by 17 per cent in the period. Operating profits in the coach

and bus division rose from £438,000 to £518,000 contributing to a 69 per cent rise in total operating profits to £7.24m (£4.27m).

Mr Michael Doherty, chairman, said the order book for this division was at a record high and the company planned to increase production to meet demand.

Badgerline recently announced a £22m order for 800 bus bodies.

He said manufacturing output had increased by a quarter in the first half.

Flat turnover in the motor division was partly because of the company's reluctance to take on fleet business where margins were very slim, Mr Doherty said. A fall in after-sales profits offset a slight increase in vehicle sales profits.

An interim dividend of 2.5p (1.5p) is payable on earnings per share of 14.5p (6.4p).

The March rights issue raised £25.8m, leaving Henlys with net cash of £8.7m.

Last time there were borrowings of £22.9m representing gearing of 50.7 per cent. Interest charged fell from £1.33m to £753,000.

● COMMENT

A sound set of results led by the bus and coach division. Pent up replacement demand from the bus industry which continues to recover and the coach sector which is showing tentative signs of improvement should contribute to further growth. Although turnover in the motor division looks flat, the strategy to steer away from high volume low margin fleet business seems to be paying off. The company's desire to broaden its franchise base and reduce its high volume business through acquisitions makes good sense. The shares remain attractive with profit forecasts of £13.4m for the full year and a prospective p/e of 15.

## Finance director quits Arjo

By Deborah Hargreaves

The announcement of the departure of Mr Tony Isaac, finance director of Arjo Wiggins Appleton, the Anglo-French paper company, sounded warning bells in the City yesterday causing the company's shares to lose 10p to 265p.

City analysts feared that a boardroom split of the sort that emerged a year ago between Mr Isaac and the predominantly French board of directors over dividend policy had precipitated the move. The

announcement comes just days before the release of Arjo's interim results next Thursday.

While there were some indications that Mr Isaac had not enjoyed an amicable relationship with Mr Alain Soulas, chief executive, the company denied any differences of opinion over the results.

"There is nothing to fear in the figures. I can say there are no nasty surprises at all," said Mr Cob Stenham, chairman.

Mr Isaac's departure from the position of finance director at BOC group, leaves Mr Stenham as the only British executive

director on the nine-member board.

In addition, Mr Isaac was well respected in the City and his departure will dent the company's credibility with investment analysts. His departure is the latest in a series of executive resignations following that of Mr Gordon Bond, director in charge of the printing and writing divisions, last December.

Mr Stenham said the company had a reasonable balance of non-executive directors, but would be looking with interest for a successor to Mr Isaac.

## NEWS DIGEST

## Isotron static at £3.07m

Isotron, provider of sterilisation services to the healthcare industry, yesterday announced static pre-tax profits at £3.07m for the year to June 30, compared with £3.11m. This followed a rise at half-way from £1.44m to £1.51m.

The profit included interest income down from £319,000 to £151,000 and was achieved from turnover 6 per cent higher at £7.75m (£7.3m). The fall in income was due to cash being invested in a new Irish plant and lower interest rates.

The operating profit, up 4.5 per cent at £2.52m (£2.39m), was after charging £111,000 of pre-operating costs at the Irish plant.

The dividend is raised by 10 per cent to 4.7p (4.34p) with a proposed final of 3.11p from earnings per share of 17p (17.3p).

## Exceptional leaves Eclipse at £0.8m

Eclipse Blinds, formerly Ashley Group, announced pre-tax profits down from a restated £1.37m to £787,000 for the half year to June 30 on turnover from continuing operations of £18.4m against £18.5m.

The result was after an exceptional £615,000 loss on disposal of the French operations.

Operating profits of the blinds division were £238m - a margin on sales of 11.9 per cent and 13.7 per cent excluding discontinued businesses. The plywood and timber side achieved £179,000 (£112,000).

The French disposal reduced net borrowings at the half year from £18.5m to £14.5m.

Mr Hamish Grossart, chairman, said trading in the current year was good.

Losses per share amounted to 0.16p (0.31p earnings).

## Readymix ahead to £1.36m at midway

Readymix, the Irish building materials subsidiary of RMC, reported pre-tax profits up

from £1.05m to £1.36m (£1.34m) for the half year to June 30.

Turnover grew by £2.3m to £16.5m. Earnings came out at 2.96p (2.29p) per share and the interim dividend is maintained at 0.55p.

Courtyard Leisure, the USM-quoted wine bar and restaurant operator, reported reduced pre-tax losses of £296,396 for the year to end-March, against a deficit of £277,765 last time.

The outcome was struck on turnover down from £2.22m to £1.5m. Losses per share were reduced to 2.1p (5.4p).

There was a net loss on disposals amounting to £24,907 (£135,000) arising from the sale of the Benjamin Shillingford wine bar. A further £23,330 was written off of fixed assets investments.

Net interest payable fell from £28,246 to £28,593.

UAPT extends time frame for bids

UAPT-Infolink, the credit reference company caught in a bidding war, has altered its articles of association so that offers for the company can proceed.

The group is being fought over by Equifax, the US credit data group, which is now offering 650p a share against its original offer of 500p, and Trans Union, Equifax's main US rival, which is offering 550p.

UAPT's board had recommended Trans Union's lower offer, which was to have closed on August 31, because Trans Union has no UK operations and so does not risk a referral to the Monopolies and Mergers Commission. Equifax already owns a credit information business in the UK.

However, UAPT's board has now rescinded its recommendation, effectively leaving the outcome of the bidding war to the OFT.

Fife Indmar edges ahead to £0.43m

Fife Indmar, the Edinburgh-based engineer, edged ahead

from £424,000 to £431,000 pre-tax in the half year to June 30.

Mr Gavin Hepburn, the chairman, said that as anticipated, the slowdown in North Sea activity had been compensated by improved returns from the other businesses and lower interest costs.

Turnover grew from £15.1m to £16.5m, including £709,000 from acquisitions. Earnings per share slipped to 2.5p (2.7p) because of the March share issue and the interim dividend is held at 0.75p.

Torday & Carlisle incurs £0.55m deficit

Torday & Carlisle, the Newcastle-based engineer, reported a pre-tax deficit of £546,000 for the six months to end-June, reflecting the warning in 1993 accounts of a poor start to the current year.

The pre-tax outcome compared with a profit of £17,000 in the corresponding period, although that included a £380,000 profit contribution from Eilab Hughes, the safety equipment arm which was sold in the fourth quarter of 1993.

Group turnover fell to £14.1m, against £17.2m - including £9.6m from discontinued operations. Losses per share came out at 3.4p (6.4p earnings).

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## Hanson has 51% of Scholes at first close

Hanson, the Anglo-US conglomerate, said that by the first closing date of its recommended £296.1m offer for Scholes Group, the electrical equipment maker, it had received valid acceptances in respect of 19.8m shares, representing 51.05 per cent of the ordinary capital.

The offer, including the loan note alternative, has been extended until September 15.

Scholes agreed on July 28 to Hanson's offer of 250p cash for every 10 shares, but on August 10 said it was open to higher offers, wanting "the best possible deal for shareholders".

Mr Mohr Lockhead, chairman of GRT, said the acquisition was expected to enhance earnings in the first full year. GRT, which came to the market in May, is paying about 74 per cent of the consideration in cash, the balance in new shares to value SMT at about £10m. It has also agreed to redeem some £11.5m in SMT preference shares if the offer goes unconditional.

Mr Lockhead said SMT would further strengthen the group's competitive position in central Scotland. SMT operates public bus services in Edinburgh and the Lothian region.

GRT currently operates in the north-east and central belt of Scotland, as well as Leicester and Northampton.

SMT said the deal would protect the group in a period of intense competition. "In our rapidly consolidating industry it is in the best interests of our employees and shareholders to become part of a larger bus group," said Mr Andrew Gail, SMT chairman.

## GRT to take over SMT with agreed £11.2m bid

By Peggy Hollinger

The consolidation of the competitive bus industry continued yesterday with the announcement by GRT, one of the fastest growing bus operators in the UK, of an agreed £11.2m offer for SMT of Scotland.

Mr Mohr Lockhead, chairman of GRT, said the acquisition was expected to enhance earnings in the first full year. GRT, which came to the market in May, is paying about 74 per cent of the consideration in cash, the balance in new shares to value SMT at about £10m. It has also agreed to redeem some £11.5m in SMT preference shares if the offer goes unconditional.

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## Acquisition puts Hobson £0.5m in the black

A turnaround from pre-tax losses of £544,000 to profits of £530,000 for the half year to June was announced by Hobson, the toiletries and home-care products group which moved up to the main market in May. The group has changed its year end and the comparative figures are for the six months ended September 30.

The improvement follows the acquisition in May of the food manufacturing side of the Co-operative Wholesale Society.

Turnover jumped to £28.1m (£22.2m). Earnings were 0.23p (0.64p losses) and there is no dividend. The directors intend to recommend a final of 0.4p.

There is a further bonus of up to 40 per cent of basic salary payable by reference to the company's performance relative to its industry peer group.

The contract also includes a capital investment plan under which Mr Sorrell will invest £9.3m (£2.2m) in WPP ordinary shares, which he will hold for a minimum of two years.

Mr Sorrell will be entitled to a performance-related bonus and the right to participate in the WPP executive share option and performance plans, as well as other benefits such as healthcare and life assurance.

The performance-related bonus will be determined by reference to the company's performance relative to its targets which will provide up to 60 per cent of basic annual remuneration.

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There is a further bonus of



## Kuok sells part of TVB holding for HK\$1bn

By Simon Holberton  
in Hong Kong

Mr Robert Kuok, the Malaysian financier, has sold 7.5 per cent of Television Broadcasts, Hong Kong's premier television company, for more than HK\$1bn (US\$129.5m).

He placed 30m shares at HK\$33.50 each to investment institutions on Thursday - the day after TVB unveiled a 70 per cent rise in first-half net earnings to HK\$278m.

The sale has reduced Mr Kuok's stake in TVB to around 17 or 18 per cent. The shares, when they were acquired in 1989, cost Mr Kuok HK\$14.60, suggesting a gross profit on the transaction of around HK\$640m.

Analysts said Mr Kuok had been keen for some time to reduce his exposure to TVB. He did not take an active interest in the management of the company, but rather treated his 25 per cent interest as an investment, they said.

Mr Kuok had for several

months been in talks with Pearson, the UK media and banking group which owns the Financial Times, about the British group buying up to 10 per cent of TVB.

Pearson has, however, confirmed that it pulled out of the talks a few weeks ago on the grounds of price.

Analysts expect Mr Kuok to seek to reduce further his investment in TVB.

They note, however, that TVB's share price has performed well over the past months.

Last month Mr Kuok, who has made Hong Kong his home, reduced his stake in Shanghai Asia - his hotels group - to 58.8 per cent from 61.5 per cent. The placing of these shares realised HK\$378.2m.

The combined proceeds of the two placements leaves Mr Kuok with nearly HK\$1.7bn. The money could go toward his ambitious plans for residential property development in Hong Kong, and more investment ideas in China.

## Profits at Goodman Fielder flat at A\$169m

By Nikk Tait  
in Sydney

Goodman Fielder, the beleaguered Australian food company where dissident shareholders are pushing for boardroom changes, yesterday disclosed another 12 months of static profits. This was the fifth successive year it has shown minimal bottom-line progress.

Profits before tax and abnormals in the 12 months to the end of June rose marginally, to A\$168.5m (US\$125.5m) from A\$164.1m, while sales were A\$3.86bn, down from A\$4.71bn.

However, a A\$17.8m abnormal charge, against last time's A\$109.4m surplus, lowered operating profits after tax and abnormals down to A\$93.4m from A\$158m.

Basic earnings per share before abnormal items fell to 9.3 cents from 10.4 cents. After abnormals, they dropped from 16.1 cents to 8.1 cents.

The company insisted the results picture had been muddied by disposals and acquisitions. It said the increase in pre-tax profits based "only on current businesses and adjusted for timing" would have been 22 per cent.

It also blamed the stronger Australian dollar for depressing earnings from international operations in local currency terms.

Goodman said profits had picked up in its domestic baking and milling operations, while consumer foods had shown a strong improvement.

The poultry division, by contrast, made an "unsatisfactory contribution", and the ingredients arm was hit by falling gelatine prices.

Mr Barry Weir, chief executive, said a "significant earnings improvement" was budgeted for 1994-95, and "further significant gains" in the following year.

These would come from cost-reductions, baking industry rationalisation, some volume gains and the start of a turnaround in Goodman's Asian businesses.

## Solid earnings growth at Roche

By Ian Rodger in Zurich

Roche, the Swiss health products group which recently acquired the Syntex pharmaceuticals company of the US for \$5.3bn, achieved first-half net income of SFr1.6bn (\$1.2bn), on SFr7.3bn in sales.

It is the first time the group has reported interim profit figures, and no comparative data was given, except for a 2.4 per cent gain in sales.

However, it said earnings "continued to improve", thanks to a steady growth in the operating result and higher financial revenues.

Roche's financial managers again performed well, showing an increase in earnings on the group's SFr14.6bn liquid assets in spite of the upheavals in world securities markets. Net financial income was SFr508m, equivalent to 64 per cent of the amount earned

in the whole of last year.

Both of the group's Basle rivals, Ciba and Sandoz, suffered sharp reversals in their financial earnings in the first half.

Roche also outperformed its local rivals at the operating level: its SFr1.56m operating profit reflected a 21.3 per cent margin on sales. Sandoz's operating margin was 16.5 per cent, while Ciba's was 17.2 per cent.

Roche said sales growth in the second half would be slower than the recent trend. It blamed government pressures on prices of drugs and laboratory services and said profits would be lower than in the first half.

However, it forecast "a further significant rise" in net income for the full year, a more optimistic outlook than in mid-July, when it announced first-half sales.

## Research focus provides the edge

Swiss drugs groups are pursuing diverse strategies, writes Ian Rodger

The increasingly divergent strategies of the three big Basle-based pharmaceuticals and chemicals groups - Ciba, Roche and Sandoz - have been tested severely in the trying circumstances of the first half of 1994.

For the moment, Roche, which has decided to focus on developing leading-edge drugs and diagnostic equipment, has emerged the clear winner.

Ciba and Sandoz, which have opted for more diversified business portfolios, have yet to prove the wisdom of that choice.

Roche's first-half net income of SFr1.6bn (\$1.2bn) was not only the largest among the three, but it reflected the highest profit margin and probably the greatest growth.

Issuing an interim profit statement yesterday for the first time, the group gave no comparative figures. However, first-half net income was equivalent to 65 per cent of the result in the whole of last year.

Its operating profits have also grown strongly: the first-half result was equivalent to two-thirds of the full-year 1993 figure.

Roche has, therefore, again confounded many investors.

They believed the group was going to suffer as much as the other international drug groups from the price squeeze being applied by governments throughout Europe and North America.

Investor scepticism peaked

the market as a whole".

And, in spite of the high costs and risks of its research-intensive strategy, it is convinced it can continue to develop winning drugs.

Its \$5.3bn acquisition of Syntex was motivated in large part

by the US drugs group's substantial R&D efforts in areas complementary to its own.

Ciba and Sandoz, on the other hand, are inclined to hedge their bets on the increasingly uncertain pharmaceuticals sector by nurturing other, more stable health-related businesses as well as their traditional cyclical industrial and agricultural chemicals businesses.

Their significant acquisitions in the past year have been in the health-related businesses. Sandoz has just completed its \$3.7bn takeover of the US Ger-

ber baby food group, and Ciba has made two large deals to boost its Ciba Vision eye-care side.

These businesses are performing respectably, but the cyclical have yet to respond in the way investors hope.

Roche has also shown up its rivals in the game of managing liquid funds.

Ciba's net financial income was down 30 per cent, Sandoz plunged from a SFr78m profit to a SFr90m loss. However, Roche's SFr508m net financial income was equivalent to 64 per cent of that earned in the whole of last year.

All three suffered from the sharp decline in market values of many investments held, especially bonds, in the first half, but only Roche offset those losses with higher returns on other investment and asset sales.

Roche is guarded about its investment strategies, but it is known to favour equities over bonds.

Mr Henri Meier, finance director, said earlier this year it invested only in Triple A securities. "We do take risks, trying to anticipate market moves, but we think our risk management is as good as anyone's," he said.

## VW studies strategy for Portuguese joint venture

By John Griffiths

Volkswagen is to draw up a new business plan aimed at improving the viability of its \$2.8bn joint venture with Ford to build multi-purpose vehicles (MPVs) in Portugal, which goes on stream at the end of this year.

The German vehicle maker, Europe's largest, is concerned that increasing competition in the van-like MPV sector, and adverse currency movements since the deal was signed in 1991, may make the plant less profitable.

The factory is scheduled to make 190,000 MPVs a year in full production.

The greenfield project, at Setúbal, south of Lisbon, is the largest single foreign investment in Portugal. In full production, it is scheduled to employ 4,700 workers, and create indirectly up to another 10,000 jobs in the area.

VW stressed last night there was no danger of it seeking to withdraw from or scale down the venture. The project is receiving Ecu750m (\$519.8m) of EC development and training subsidies, and the Portuguese government regards it as its flagship foreign investment project.

Ford of Europe, which is a 50 per cent partner with VW in the venture, last night described the Wolfsburg initiative as a "routine" financial reassessment. It said Ford itself was not concerned about the project's viability.

VW's managing board has been asked to come up with the plan in time for the supervisory board's next meeting, in November.

The plant's vehicles will compete in one of the few sectors still enjoying rapid growth in Europe.

Sales of multi-purpose vehicles have risen by an average 60 per cent a year since 1990, and are projected to reach 700,000 units a year by the end of the decade.

However, every big vehicle maker in Europe is now planning to seek a share of this growth.

## Healthy recovery at Belgian retailer

By David Gardner in Brussels

Delhaize "Le Lion", the big Belgian retail group, posted a BF1.7bn (\$2.4m) profit in the first half of this year, a 73 per cent rise on the same period of 1993. Turnover rose 10 per cent to BF179.5bn.

The half-year result compares with earnings for the whole of 1993 of BF1.1bn, against a BF16.3bn profit in 1992. The group said it expected a significant improvement for the whole of this year.

The Belgian supermarkets and stores saw sales rise 5.4 per cent to BF47.8bn from BF45.3bn. However, profits are only just beginning to recover from recession, sharp discounting in food prices, restructuring costs

and industrial disputes.

Delhaize's main interest abroad, the Food Lion supermarket chain in the US, turned in a 6.4 per cent increase in sales, to \$3.6bn, for the first half, with profits of \$66m.

This rise, of 25 per cent, is particularly satisfying to the Belgian group after a tough six months in which it weathered bad publicity in the US over alleged hygiene shortfalls, fierce competition, and a dispute with the US Department of Labor over overtime work and safety conditions for employees.

Sales and profits also showed modest increases at the Belgian group's stores in Greece, the Czech Republic, and at the northern French PG Group in which it acquired a 74 per cent stake last May.

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## CURRENCIES AND MONEY

## MARKETS REPORT

## Dollar fades

The dollar wilted on the foreign exchange market after the US treasury market responded negatively to US employment data, writes Philip Gosh.

Although the market's initial response was positive, it soon changed its mind and the dollar followed Treasury bonds lower, slipping three pence from a high for the day of DM1.5440 to DM1.5400 later.

Against the yen, it fell from a high of ¥100.2 to a low later of ¥99.05.

The D-Mark's firmness against the dollar helped it to end sharply higher against various European currencies. A late afternoon flurry saw it finish at 1.1009 against the lira from 1.1002.

Sterling also suffered at the hands of the D-Mark, losing nearly three pence from its high for the day to close in London at DM2.4101. The sterling trade weighted index closed at 78.8, down from

a high of 79.4 earlier in the day.

At first glance, the payroll figures looked to be supportive for the dollar. The 179,000 increase was well below the 234,000 consensus forecast, and this should have supported US bonds, and hence the dollar.

The market, however, chose to focus on the strong manufacturing data, where jobs, hours worked and overtime were all seen as indicating wage pressure.

The dollar's woes were later exacerbated by the Columbia University Inflation Index - said to be closely watched by Fed chairman, Mr Alan Greenspan - rising to 111.4 in August, from 109.5 in July.

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On top of this, there was talk in the market of an upcoming article in *Forbes* magazine quoting the head of business research at Columbia saying that US inflation would rise to 5 per cent later this year.

Mr Paul Chertkow, head of global currency research at UBS in London, cautioned against reading too much into the dollar's Friday before a long weekend, and trading conditions were thin. The end-users are not here. They are still on vacation. They haven't done

anything," he said. The market was still being driven by short-term players.

"This is the kind of market in a number of years and small flows are having a quite disproportionate impact," said Mr Chertkow.

Mr Michel Sapin, a Bank of France monetary council member and former finance minister, criticised French commercial banks for raising interest rates by 25 basis points earlier this week.

"This decision is not appropriate," he said. The weakness of the treasury market spilled over into European bond markets, which set the tone for activity at the short end of the yield curve.

The December Eurobond contract traded nearly 48,000 lots to close at 94.78 from 94.84.

Short sterling volumes were low and the December contract ended at 93.43 from 93.43.

The Bank of England provided UK money markets with £20m late assistance. Earlier it had provided £27m liquidity, at established rates, after forecasting a £200m shortage.

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Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Telford system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the three previous days is given with the relevant date.

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† Bargains at special prices. ‡ Bargains close the previous day.

## British Funds, etc

Treasury 15% 10/20/00 - £122.80 (1994)

## Corporation and County Stocks

London County 2 1/2% 10/20/00 - £122.80 (1994)

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## UK Public Boards

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## Commonwealth Government

South Australia 3 1/2% 10/20/00 - £122.80 (1994)

## Foreign Stocks, Bonds, etc

(coupons payable in London)

Bank of America 10/20/00 - £122.80 (1994)

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## LONDON STOCK EXCHANGE

## MARKET REPORT

## Early gains reduced as rate worries continue

By Terry Byland,  
UK Stock Market Editor

Deepening concern over the interest rate outlook, coupled with a negative reaction in New York to the US payroll data, cut sharply into the gains in UK stocks yesterday. British government bonds fell in late dealing as US Federal bond prices weakened and a leading US investment bank was believed to have turned negative on interest rate prospects in Germany.

Once again, UK shares displayed considerable volatility, with the stock index futures traders often influencing the underlying market. Selling of the water industry and electricity generating stocks took its toll of the second-time market indices. Market strategists remained confident that the stock

market could resume its upward trend.

But this confidence was tested by suggestions by some analysts that the question of a pre-emptive rise in UK base rates may be raised at this week's meeting between the chancellor of the exchequer and the Governor of the Bank of England.

With gilts fairly steady in early trading, the FT-SE 100 index was able to gain nearly 26 points after a slow start. Share prices were helped by the technical reaction from the large selling programme of the previous session, which is thought to have involved a switch of as much as £200m out of equities and into gilts.

New York's immediate response to the modest rise in unemployment rate and stable employment rate

August was favourable but a gain of 13 points on the Dow began to melt away as Federal bonds eased. By the time London went home, the Dow was 3 points off.

The turn down in New York hit hardest at UK government bonds. Short rates, closely linked to base rate prospects, slipped by 1/8 in late trading, while the longer dates extended early gains to show total losses of just over a full point.

The gain on the FT-SE 100 index was whittled away to only 6.2 at the close, for a final reading of 3,222.7. But the weakness in the second half of the session fell more harshly on the FT-SE Mid 250 index, finally down 13 points at 3,781.3.

Over the week, the Footsie 100 index has fallen by 42.4 points, or around 1.3 per cent, as profits have

been taken following the powerful advance of the previous five trading sessions.

Growing belief that the global interest rate cycle is on the turn have increasingly unsettled markets. However, with the focus on the blue chip market leaders, last week's fall in the FT-SE Mid 250 index has been held to around 0.6 per cent.

About 60 per cent of yesterday's September trading volume came in non-Footsie stocks, which includes many of the utility stocks. On Thursday, retail, or genuine customer business, in UK equities topped £1.6bn, one of the better daily totals for the year; this figure bore out reports of a trading programme involving switching out of blue chip stocks.

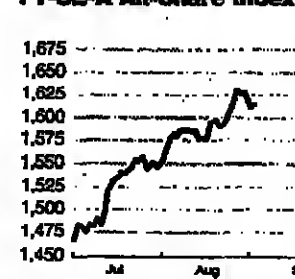
Traders stressed that UK and com-

mercial European securities houses were striving to keep their trading books flat yesterday afternoon to avoid getting caught with large open positions until Tuesday, when the New York markets return from the Labor Day holiday.

Next week is expected to bring a general return to full trading in Europe as the August holiday period is finally left behind. The UK market fears that indications this week of economic recovery gathering pace in Germany and elsewhere may imply that the interest rate cycle could turn upwards sooner than investors had anticipated.

However, UK stocks are expected to continue to benefit from the higher company earnings and dividends which have been spurred by the recovery in the domestic economy.

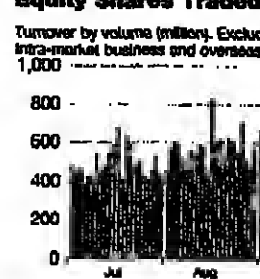
## FT-SE-A All-Share Index



## Key Indicators

FT-SE Mid 250	3781.3	-13.0
FT-SE-A 350	1626.1	+1.1
FT-SE-A All-Share	1613.37	+1.10
FT-SE-A All-Share yield	3.69	(3.69)
FT Ordinary Index	2508.2	-3.2
FT-SE-A Non-Fin p/e	19.94	(18.95)
FT-SE 100 Div Sep	3226.0	+5.0
10 yr Gilt yield	8.87	(8.55)
Long gbt/equity yld ratio:	2.37	(2.33)

## Equity Shares Traded



## FT-SE 100 Index

Closing index for Sep 2	3222.7
Change over week	-42.4
Sep 1	3216.6
Aug 31	3261.3
Aug 30	3248.8
High*	3280.0
Low*	3215.4

\*Five-day high and low for week.

## TRADING VOLUME

## Major Stocks Yesterday

Stock	Price	Change	Vol	Days
ASDA Group	7.50	+0.10	1,200	1
Admiral	1.00	+0.05	1,000	1
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## EQUITY FUTURES AND OPTIONS TRADING

## Continuing worries over

inflation cut back an earlier advance in stock index futures in an otherwise lacklustre trading session.

Disappointed by good early buying, the September futures contract on the FT-SE 100 ended the week at 3,228.5, 5 points ahead of its previous

## close and at a small premium

## to cash. Volume was fairly

good reaching 13,898 lots. In traded options, turnover fell back to 23,072 contracts against 24,503 on Thursday.

The FT-SE 100 option volume traded 7,175 lots and Glaxo was the busiest stock option at 2,057 contracts.

## FT-SE 100 INDEX FUTURES (LFFE) £25 per full index point

Open	High	Low	Close	Settle	Open Int.
Sep	3228.5	3228.5	3228.5	3228.5	11810
Dec	3245.0	3245.0	3245.0	3245.0	11020
Mar	3262.0	3262.0	3262.0	3262.0	100

## FT-SE 250 INDEX FUTURES (LFFE) £10 per full index point

Open	High	Low	Close	Settle	Open Int.
Sep	3805.0	3805.0	3805.0	3805.0	250
Dec	3822.0	3822.0	3822.0	3822.0	100
Mar	3839.0	3839.0	3839.0	3839.0	40

## FT-SE 350 INDEX FUTURES (LFFE) £10 per full index point

Open	High	Low	Close	Settle	Open Int.
Sep	3780.0	3780.0	3780.0	3780.0	100
Dec	3797.0	3797.0	3797.0	3797.0	100
Mar	3814.0	3814.0	3814.0	3814.0	100

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## FT-SE-A INDEXES - LEADERS &amp; LAGGARDS

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## The UK Series

Stock	Price	Change	Vol	Days
ASDA Group	7.50	+0.10	1,200	1
Admiral	1.00	+0.05	1,000	1
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## Hourly movements

Stock	Price	Change	Vol	Days
ASDA Group	7.50	+0.10	1,200	1
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## WPP busy ahead of placing

Marketing group WPP gained a penny to 120p with 3.5m traded as it announced the details of a big placing of shares set to take place on Monday.

Banks which bailed the company out in a £271.6m debt-for-equity swap two years ago are poised to sell 180m shares in the market. The preference shares were converted into ordinary stock at 45p each and dealers suggested yesterday that they would be sold off at around 112p.

The book building process by which the managing consortium made up of Bankers Trust International, JP Morgan and SG Warburg tender for offers has apparently seen very strong demand and the placing is expected to be oversubscribed.

## Electricity buy-back

South Western Electricity confirmed it had been buying back its own shares, announcing the purchase of 2.5m shares late on Thursday at 80.5p a share and a further purchase of 1m shares, for between 81p and 81.5p a share yesterday. The acquisitions total 2.5 per cent of the company's shares, south Western has shareholder approval to buy in to 12.3m, or 10 per cent of its own shares.

South Western shares settled 6 off at 81p, outperforming the rest of the sector which suffered from another bout of large scale profit-taking.

Southern Electricity, viewed as a potential predator or target in the recent speculative burst of activity in the sector, was badly treated by market-makers who hammered the stock price all day, the shares closed 28 lower at 77p. Yorkshire dropped 26 to 76p, Northern 25 to 75p and Northern 24 to 81p.

## Setback for Arjo

Paper maker Arjo Wiggins was one of the chief casualties in the FT-SE 100 and also the most heavily traded as the company announced it had lost

## NEW HIGHS AND LOWS FOR 1994

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## LONDON SHARE SERVICE

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Trust	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	9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## A black and white caricature of a man, likely a member of the Wolfpack, wearing a cap with 'VOLF' on it, sunglasses, and a suit with a Batman logo on the tie. He is surrounded by 'Jack!' text and hand-drawn hands.

Continued on Page VIII

The studios, which for a generation had thrived by controlling costs and nurturing their own talent under tight contracts, began to crumble in the face of this onslaught. And when MCA itself broke up in 1962 - disbanded by Stein as the Justice Department began growling about its stranglehold on the industry - the stage was set for the three replacement companies we know today. CAA (Creative Artists Agency), ICM (International Creative Man-

To understand why, let us see how this new-look industry operates. Broadly: for every Jack Nicholson or Julia Roberts or Francis Coppola, there is a Joe Blow or Jane Blow, an agent or publicist, to act as bellow-minder to the myth. Their job is to tell the outside world that "Mr Nicholson's price for his next movie is \$12m plus 2 per cent of the gross" or "Mr Coppola will do

Today, as the veteran, Billy Wilder says,

The studios are like British soccer clubs. They reel from one whizz-kid manager to the next. And when a new whizz kid comes in, where does he turn for ready-made ideas and projects to jumpstart his production schedule? Why, to the agents. And what is the agent's main interest? To get more money for his client.

Hand in hand with these agents, and symbiotic with them in the modern Holly-

This double act performs the old one-two that used to be achieved seamlessly by the studios. Get the celebrity in the movie project; then get the celebrity in the public eye.

<b>Finance &amp; Family:</b> What the future holds for the markets	III
<b>Small business:</b> Cricket captain who makes a profit when he loses	VIII
<b>How To Spend It:</b> A 10-step guide to affordable mobile phones	X
<b>Sport:</b> A very nice little retirement scheme	XIII
<b>Books:</b> Exploring the heart of Greenland	XV
<b>Interview:</b> George Steiner returns to Oxford without bitterness	XX



# The profits of boom



Most British investors grew effortlessly richer during their holidays. Events in August confirmed the broadening strength of the international economy, with the US and the UK growing at 3% to 4 per cent and even troubled Germany staging a convincing rebound. Stock markets have gained in confidence.

Clearly, though, short-term interest rates are on the turn. During August, key rates rose in the US, Italy and Sweden while French commercial lending rates edged up this week, too. The British authorities may yet come to regret their failure to raise UK rates at the beginning of last month.

At this stage of the cycle, stock markets are, classically, subjected to a particular kind of two-way pull. Strong growth in profits and dividends is dragging them up, while rising interest rates are pulling them down. This particular cycle has been distorted by last winter's bond market crash, but I pointed out two months ago that UK share prices had drifted back into a buying range. It is not yet clear whether the main UK indices will get back to their January/February highs, as Wall Street very nearly has, but the next market peak will be determined by the point at which bullishness over corporate prospects begins to be overwhelmed by concern over rising short-term interest rates.

Daily headlines tell us of the surge in corporate confidence on both sides of the Atlantic. Big deals are back in fashion, and mega-mergers are seen once again as a triumph of vision in the executive suite rather than a symptom of dangerous empire-building.

This week's purchase of Starling Health by SmithKline Beecham for \$2.9m was presented as a triumphant strategic move by S.B. Perhaps it should rather be seen as a welcome move by Kodak, the seller, to extricate itself from the disastrous consequences of its own ill-induced extension in the 1990's.

We can simply note that macho corporate buyers are, once again, beginning to out-bid the stock market when it comes to putting a price on companies.

Certainly, there is nothing like a healthy stream of profits to add a gleam to a chief executive's eye. In the UK, earnings per share – on the basis of the constituents of the All-Share index – have risen by 22 per cent over the past year, and dividends by 7½ per cent. Investors appear to expect that growth rates will be nearly as good over the next year, too (perhaps still faster, for dividends).

Curiously, big companies have outperformed the rest. The top 100 of the Footsie index constituents, have raised earnings per share by 27 per cent in 15 months, and dividends by 9.7 per cent. Small companies, which were supposed to have greater recovery potential after the recession, have increased their earnings by only 13 per cent over the same period (I have calculated this from the SmallCap index, excluding investment trusts). Their dividends have not yet gone up at all, on balance.

One of the big companies have benefited most from restructuring, and perhaps the recovery is taking longer to percolate down to the smaller company sector. It had better do so soon: the tiddlers are valued more highly by investors because of their assumed higher growth.

**T**hese 30 per cent growth rates in company earnings contrast strongly with the muted and stable 3% per cent growth in personal incomes. There has been a marked shift in the balance of power between capital and labour. The important question now is whether this is just a temporary cyclical effect.

Already, company trading profits have moved above 15 per cent of national income (against only 12 per cent in 1962) and, on present trends, the proportion will reach an exceptional 17 per cent in 1965 (against previous peaks of just under 16 per cent in 1960 and 1965).

History tells us, however, that profit

booms tend to finish in inflationary surges as companies bid up the prices of labour, property and raw materials. This week's purchasing managers' survey showed, sure enough, that manufacturers' costs are rising - but this has yet to show in a significant acceleration of output prices.

Judged by past cycles, pay rates will now begin to rise sharply. But unemployment still remains relatively high, at 9.3 per cent of the labour force. It is worth thinking about the theory of long cycles; according to this, at the start of a new long-term upturn (in a cycle which may run for 50 or 60 years), high new industrial growth sectors can generate high rates of return on capital for extended periods.

Western countries have been through a phase of widespread recession and industrial rationalisation. Now, though, new industrial processes based on information technology are bringing about radical improvements in productivity. The result could be a protracted corporate boom at the same time as the labour markets remain relatively subdued (except for certain categories of skilled workers). It sounds like a capitalist's improbable *Shangri-La* – but, certainly, the present upturn is strikingly less inflationary so far than any seen in the UK in the past 25 years.

Whatever the mysterious message of the long cycle, however, attention now switches to short-term interest rates. After the Bundesbank council meeting on Thursday, and the evidence of a quite vigorous German economic recovery, led by exports, the question is whether we have now reached the bottom, even for D-Mark rates. With the recession clearly over, the Buba must now focus on getting the German money supply back under control.

As for the UK, there is a let's-get-it-over-with mood as the market looks for 5% per cent sterling rates soon, with the implied hope that the move might release tensions as effectively as the jump to 4% per cent in the US last month. But then, London has had the unearned benefit of that already. And we can't go on holiday again.

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**Natural rose: a bizarre crown for the woman who can 'just be herself'**

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## MARKETS

## London

## Tiny, constant point in an uncertain time

Andrew Bolger

In an uncertain world, there is something almost reassuring about the ability of Tiny Rowland to hang on to his position as chief executive of Lloyds.

An attempt by fellow joint chief executive Dieter Bock to strip the 70-year-old Rowland of his executive duties at the mining and trading group founded when non-executive directors refused to back the German pretender. The £5.5m a year package which Rowland costs Lloyds - including the £2m spent on running the group's Gulfstream private jet - will be scrutinised by the remuneration committee set up by Bock, but Tiny lives to fight another day.

The FT-SE 100 did not prove quite so resilient as the redoubtable Rowland, but still managed to hang on to some of the gains made in the previous week's surge through the 3,200 barrier. Profit-taking and renewed concern about interest rates helped the index shed 34.8 points on Thursday, but

the market steadied yesterday to close the week at 3,222.7, down 42.4 on the week.

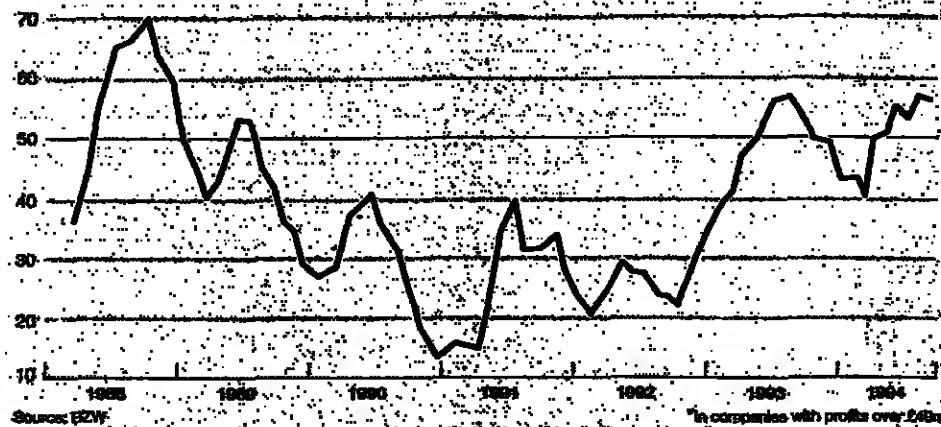
In spite of some twitchiness about the timing of the next increase in interest rates, the City continues to be pleased by the strength of the recovery in corporate performance. The chart shows that, of the changes made by analysts to their profit forecasts for individual companies, the proportion which are upgrades rather than downgrades remains comfortably above 50 per cent.

The market's performance is all the more impressive, given that the start of the heavy reporting season of interim results included some disappointments. Rolls-Royce, the aero engine and industrial power group, increased profits by 29 per cent, thanks mainly to the effects of cost-cutting and restructuring. But the group said it did not expect to see any improvement in its markets until 1996.

Shares in Reckitt & Colman, the household products and toiletries group, fell after the

## Analysts' upgrades

As a percentage of forecast changes



Source: ICF

company warned that tough competitive and economic conditions persisted and were unlikely to improve in the second half.

However, this gloom did not extend across the whole market and second-line stocks proved more buoyant. On Tuesday, when profit-takers knocked more than 15 points off the FT-SE 100, the FT-SE Mid 250 Index, which includes both the top 100 companies and the next 150 by market capitalisation - actually gained nearly 7 points.

Share prices of housebuilders rose sharply after companies reported that new house sales had recovered last month after a poor June and July. Persimmon, the UK's eighth-biggest housebuilder, said it had sold 250 homes in August, 25 per cent more than August last year.

Market sentiment was also

bolstered by news of two large takeover deals, which have important implications on both sides of the Atlantic.

The proposed £1.88bn purchase by SmithKline Beecham of Sterling Health from Eastman Kodak of the US will create the world's biggest consumer drugs business. Pharmaceutical stocks rose as the market pondered the wave of mergers and takeovers which have been transforming the healthcare market. The industry is consolidating in response to pressure from customers - employers who pay health insurance premiums in the US and governments elsewhere - to cut healthcare costs.

The deal doubles the size of SmithKline Beecham's over-the-counter operations and makes it the world's biggest maker of OTC medicines, out-selling Johnson & Johnson of the US. The combined group would have OTC sales of about \$2.6bn.

The pharmaceuticals companies are also keen to sell former prescription-only medicines over the counter because it allows them to extend the product-life of their drugs. This has become increasingly important for the drugs groups because patents on half of the 50 top-selling US medicines will expire in the next four years.

Defence is another global industry which must consolidate in the face of rapidly falling spending by governments. The process took a huge step forward when Lockheed and Martin Marietta, two of the top three US defence contractors, unveiled plans for a \$5.4bn merger.

European defence companies

are acutely aware of the need for consolidation, but the process faces much greater political barriers. However, Vickers this week emphasised that it was on the look-out for international partnerships. Having recently won a follow-on order from the UK government for 259 Challenger 2 tanks, the group said its £1.5m defence order book made it a much stronger and more attractive partner when considering collaborative projects.

The logic of international consolidation can extend to the most unlikely of industries. Service Corporation International, North America's largest funeral group, last month successfully bid £113m for Great Southern Group, the UK funeral company. It waited until the market had closed yesterday to reveal that it has now won control of Plantsbrook, another UK-quoted funeral company, with a recommended offer worth £133m.

The Texas-based SCI gained control of Plantsbrook by purchasing the 46.3 per cent stake in the UK company owned by Pommep Fumères, France's largest funeral business. SCI said it was anxious to avoid Plantsbrook falling into the hands of Loewen, the Canadian funeral group which had been interested in acquiring Great Southern.

Given that SCI has now acquired the only two UK funeral companies, scope for further consolidation is clearly limited. Yet the hope that trends in the healthcare and defence industries will lead to further big takeovers will continue to help market sentiment as traders await the inevitable increase in interest rates.

## Serious Money

## Keep your eye on the managers, too

Gillian O'Connor, personal finance editor

Hundreds of private shareholders will have cheered as Tiny Rowland once again showed his Houdini-like capacity for survival. Dieter Bock, his fellow chief executive at Lloyds, had planned to strip Rowland of his executive powers in the wake of revelations that he costs Lloyds more than £5.5m a year. But Rowland shrugged off the attack, as he has shrugged off so many in his 33 years at Lloyds's helm.

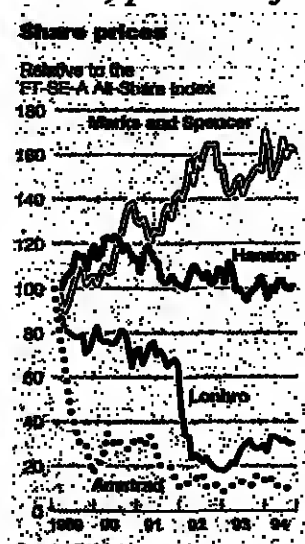
It is more than 20 years since the early chapters in the Lloyds saga spawned the epithet "the unacceptable face of capitalism". The shares have never been a favourite with professional fund managers since, but many private investors have stuck with their maverick hero through thick and thin. Sadly, their loyalty has not been rewarded. Apart from a couple of brief flickers in the mid-1970s and late-1980s, Lloyds shares have been a remarkably poor investment.

Is Lloyds a typical example of what happens when investors back an entrepreneurial company run by a single dominant figure?

Many serious investors prefer to invest in companies which are run by their founders, or by managers who act like owners. Warren Buffett, an outstandingly successful American investor, often takes long-term minority stakes in sound, family-run businesses and likes all managers to have a significant share stake in the companies they manage. His typically homely analogy is with a restaurant where the proprietors can honestly say "We eat our own cooking".

And his favourite investment is in the local furniture store run by its founder, Mrs Rose Blumkin.

But it is just as simplistic to conclude that owner-run businesses make better investments than those run by professional managers as the reverse. There are good and



Source: DataStream

bad companies in both categories. What really matters to the outside investor is not the status of the company or its managers/owners but their attitude.

Taka a few other examples. Fallen favourite Amstrad had a brilliant start. It gave its high street customers what they wanted at unbeatable prices: its computers worked and were cheap, smart and easy to use. But the real problem was that Amstrad boss Alan Sugar showed very little interest in the well-being of his outside shareholders. He sold a large part of his own holding before the share price collapsed - and offered to buy out the outside shareholders when the price was on the floor.

Now take Hanson, one of the few founder-run companies which has stayed the course. Its shares consistently beat the index until the mid-1980s. Since then, though, it has moved broadly in line with the market and it has been a relatively unexciting investment. The founders are already launching funds concentrating on AIM shares. Just keep your eyes wide open.

and Spencer. Over the past 20 years, M&S shares have done slightly better than the stock market. It is a fascinating example of a company run by professional managers who behave as if they were owners, in the best sense.

The message for investors is that weighing up their managers can be as important as crunching the balance sheet numbers.

□ □ □

Maverick directors and cowboy companies can appear on any market. But they tend to cluster thickest on fringe markets - the Over the Counter Market, the Unlisted Securities Market (in its early days) and the Third Market all had their clutch of black sheep.

This does not mean that all private investors should avoid the new Alternative Investment Market (AIM) planned to replace the USM. It does mean that they should approach it with extreme caution and keep a padlock on their wallet until they can see the whites of the managers' eyes.

The new stock exchange boss, Michael Lawrence, pointed out months ago that "while companies want cheaper access to equity capital, investors want a similar level of protection to that now provided. These are incompatible requirements". AIM gives the companies cheap access to equity capital with the minimum of red tape. And, already, some bystanders are warning that it could be more dangerous than the OTC.

But the intelligent investor who understands the risks might enjoy spicing up his portfolio with a few carefully researched AIM shares. It appears probable that they will have tax advantages. And fund managers are already launching funds concentrating on AIM shares. Just keep your eyes wide open.

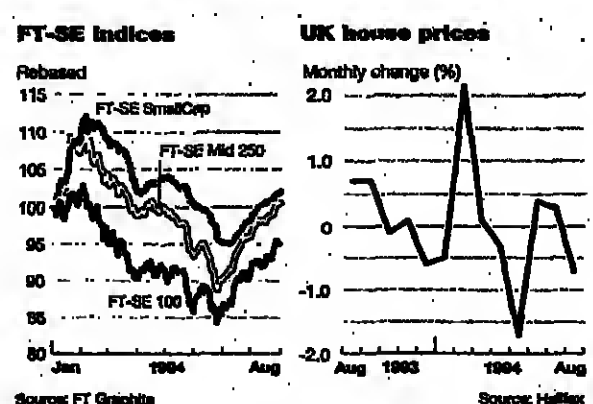
## HIGHLIGHTS OF THE WEEK

	Price	Change	1994	1994	
	£/share	on week	High	Low	
FT-SE 100 Index	3222.7	-42.4	3520.3	2876.8	Inflation concerns
FT-SE Mid 250 Index	3781.3	-25.7	4152.8	3363.4	Profit-taking
Abbey National	420	+22	523	381	Increases fixed mortgage rates
Argyll Group	292	-23	315	222.4	Profit-taking
Barratt Dev	209	+18	292	180	Optimism over Sept 21 figures
Body Shop Int	230.4	+12.4	284	205	Company issues robust defence
British Aerospace	513	+23	584	390	Merger prospects with GEC
Costs Wyella	220	-20.4	287	200	Brokers' 'take profits' advice
Eastern Elect	795	-68	866	598	Profit-taking
Reckitt & Colman	616	-29	723	561	Disappointment over figures
Rolls-Royce	180.4	-22	204	161	Downgrades after results
Royal Bk Scotland	434	+28	526	377.4	CL Laid 'buy' note
Securicor A	1034	+50	1069	785	BT may buy Colnet stake
TSB	227.4	+9.4	291	197	Hoare Govett 'buy' note
Vickers	167	-10	204	165	US sales of Rolls still weak

## AT A GLANCE

## Finance and the Family Index

Fund managers view the markets... III  
 Diary of a Private Investor/Directors' deals/Week Ahead... IV  
 Betting on your children/The Professionals... V  
 The UK tax haven?/Knight Williams/New launches... VI  
 Medical insurance/Highest rates table/Annuities/Briefcase... VII



## Footsie lags as London markets rise

All sections of the London market have performed strongly over the past quarter, but the FT-SE 100 Index, which includes the largest companies, is trailing its smaller rivals.

When the US Federal Reserve raised its key interest rates in February the first UK equity sector to fall was the FT-SE 100 as institutions, whose principal equity holdings are in the main index, sold heavily.

The gap between the Footsie and the smaller indices widened while the gap between the second and third-line indices (the mid 250 and the small cap) only grew towards the end of the sell-off. In the past quarter all sectors have recovered sharply.

## House price indices diverge

The two largest building societies, Halifax and Nationwide, once again disagreed on the direction of house prices for August. Nationwide found that prices rose by 0.6 per cent while Halifax, which has a larger sample and publishes seasonally-adjusted figures, found they fell 0.7 per cent. It was the first fall since May, according to the society.

Nationwide said the recovery in market activity, which appeared to be strengthening early in the year, was "marginal," although underlying transaction levels appeared to have stabilised. Halifax said underlying house prices were flat, a trend which would not change until consumer confidence improves.

## Tied or untied?

Life insurance advice is still driven by commission and can be "wholly inappropriate" according to the Consumer's Association. Its monthly publication, *Which?*, sent researchers to 30 financial advisers. Some were independent, some tied - only able to recommend the products of one company - and others were based at banks or building societies. "Too many advisers recommended commission-generating products at the expense of appropriate advice. IFAs were no better than tied agents," concluded *Which?*

## Smaller company shares improve

Smaller company share prices continued to improve this week. The Hoare Govett Smaller Companies Index (capital gains version) climbed 0.4 per cent to 1715.16 over the week to September 1. The index is up 1.4 per cent since the start of the year, while the FT-SE-A All-Share is down 4.2 per cent over the same period, and the FT-SE 100 is down 5.9 per cent.

## Next week...

Divorce: If you believe your spouse has hidden assets, you can pay a forensic accountant to track them down. But is it worth the cost?

## Wall Street

## The arbs return, with defence in their sights

There is one type of inflation that Wall Street knows and loves. It works like this. You seek out a company in an industry that has been the subject of some big takeovers recently - a list currently dominated by defence, healthcare and entertainment. Then you pump up its share price for all you are worth: spreading rumours to the effect that the company in question is up for sale is usually a particularly effective way of doing it.

The rumour and a jump in the share price is often enough to put a company "in play," flushing out potential buyers. The trick is then to sit tight and wait for the company to get taken over at a premium - or to sell out before the rumours prove untrue and stock deflation sets in again.

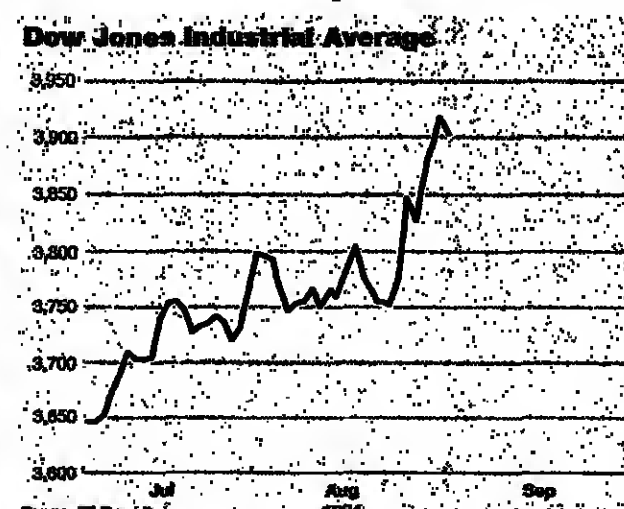
The "arbs" (an abbreviation of arbitrageurs) who specialise in trading takeover stocks are out in force again. Not since the end of the 1980s has short-term speculative stock trading reached such levels. And there is plenty of activity to keep these traders busy.

This week there was an

agreement to merge two of the US's biggest defence contractors, Lockheed and Martin Marietta, and a planned \$2.9bn purchase by Anglo-US drugs group SmithKline Beecham of Kodak's over-the-counter drugs operations.

These are hectic times in the takeover business. Other proposed deals that surfaced last week, such as a \$1.3bn takeover by General Signal of Bellance Electric, a \$600m purchase of Zenith, a maker of generic (non-branded) drugs, by Irix and an improved, \$950m bid by buy-out firm Fortsum Little for the money-transfer business Western Union, hardly made the front pages.

It is clear where the arbs are looking to turn their next quick dollar. Top of the list is CBS, one of the big three television networks. CBS became a plaything of the stock traders two months ago, when it first announced a plan (later dropped) to merge with Barry Diller's home shopping network, QVC. Renewed takeover rumours last week, this time of an interest by Disney (and a possible takeover of another network, NBC) pushed CBS's



Source: FT Graphs

shares higher still, to \$333.4 by midday yesterday, nearly a third up on its level before the QVC announcement. In the healthcare sector, which has seen \$300m-worth of deals in the past 12 months, two stocks stood out on the arbs' list, Warner-Lambert, a company with a strong over-the-counter drugs business to match its prescription pharmaceutical side, gained further

attention after the SmithKline deal. Its shares were trading at \$33.4 yesterday, having started the month of August at around \$25. Marion Merrell Dow, a drugs company majority-owned by Dow Chemical, released a wave of speculation with the announcement that it had asked an investment bank to consider how it should respond to changes in the US healthcare industry. Its share

rose to \$24.4 at one point during the week, up from less than \$20 at the start of August.

The defence industry, meanwhile, had its own flurry on news of the Lockheed/Martin Marietta deal. Other contractors will need to merge in the face of a shrinking US defence budget, ran the argument.

Though some of this speculation will no doubt be rewarded, much will end in tears. As Nextel, a wireless communications company, moved last week, even agreed deals sometimes do not come off: its shares plunged 26 per cent from their level a week before, to \$22.4, as talks with MCI and Motorola were called off. Punting on takeover stocks remains a game for the risk-hungry and the wealthy.

While busy inflating takeover stocks, Wall Street also kept a wary eye last week on the other type of inflation. The Federal Reserve's move to raise interest rates on August 16 was meant to be the final twist to the rate spiral for several months, dampening the risk of inflation and putting a new bounce in the stock market. That, at least, was

how the market saw it then: but the yield on long-dated bonds, the clearest sign of inflation fears, has edged back up, rising further yesterday to brush up against 7.5 per cent. The difference between short and long-term rates has also edged higher, another sign of inflation fears.

Employment data for August, released yesterday, failed to ease the concerns of the skeptics. The number of jobs created during the month was less than expected: that is good news for markets, since it means wage pressure is less than it might be. However, the average work week edged up, suggesting more hiring and a growing shortage of skilled labour in future. The stock market at first took heart at the figures, then reversed course. Yet at 3,896 at midday, the Dow Jones Industrial Average remained around 15 points ahead on the week.

Richard Waters

Monday	8298.25	+17.50
Tuesday	8317.30	+18.45
Wednesday	8313.42	-39.88
Thursday	8301.44	-11.98
Friday		

## The Bottom Line

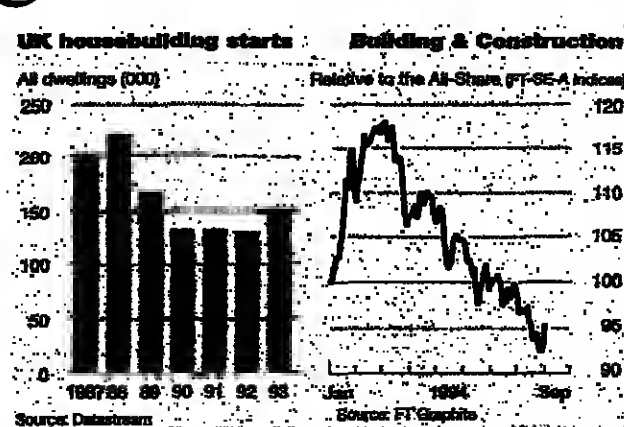
## Building for a confusing future

move, anyway, while prices remain so sluggish.

Housebuilders' profits are likely to rise sharply over the next 18 months as they use up the expensive land they bought late in the 1980s and early 1990s, and as sales incentives are reduced. But the much slower recovery in the general housing market has restricted sales of building materials for repair, maintenance and do-it-yourself work. In the past these have risen in line with a general improvement in house sales.

Half-year figures this week from construction and building material companies confirmed this broad picture. It was emphasised by house price statistics from the Halifax and Nationwide building societies which showed that prices are still struggling to rise.

Persimmon, the country's eighth largest house-builder,



Source: DataStream

reported on Wednesday a 34 per cent rise in pre-tax profits to £11.3m. Sales of new homes, which had dipped in June and July, bounced back in August, according to chairman Duncan Davidson; indeed, they were a quarter higher than during the same month last year.

Normally this would bode well for September and October, traditionally good months for house sales. These months have been blighted in the past two years, though - first, when Britain left the European exchange rate mechanism in September 1992; and then in autumn last year as potential buyers stayed out of the market during the run-up to the November Budget, the first at that time of year.

Many builders are concerned that sales could again be affected this September and October by fears of interest rate rises, although Davidson believes the recovery is now solid enough to withstand a small increase.

Persimmon, meanwhile, increased the net profit it made on each sale in the first half to £7,518 from £4,825 in the first six months of last year. This compared with a peak profit

per house of £18,000 in 1988-89. The company aims to get this back to £10,000 a unit in the next 18 months.

Rugby, which this week announced a 17 per cent rise in first-half pre-tax profits to £55.6m, said UK cement sales overall had risen by 8 per cent. But purchases of bagged cement, sold for mainly small works, had fallen slightly.

More worryingly, the company warned of price competition in the UK joinery market which, unlike other building material sectors, did not reduce capacity during the recession.

For equity investors, the conclusions may be that housebuilders and their material suppliers, particularly those which have cut capacity and are able to contain prices and margins, are performing best.

The recovery, however, is slow and modest and most of the virtues have been reflected already in these companies' share prices - in spite of this week's flurry of price increases for builders prompted by the August sales boost.

Andrew Taylor



## FINANCE AND THE FAMILY

## Playing the markets



Simon Davies, head of global investment, Garimore. The key to most world markets is what is likely to happen to interest rates over the long term.

The first half of 1994 saw bond markets collapse world-wide, pulling equity markets down with them.

In the UK, a dismal performance by the gilt market has prevented equities from reacting positively to higher than expected dividends and better earnings prospects. The gilt market must recover for equities to have any real chance.

In fact, the outlook for long-term rates now looks positive. Inflation looks likely to stay down for some time and may not cross the 3 per cent barrier until the end of 1995.

At 8.5 per cent, gilt yields

*This has been a relatively strong summer for UK equities, although the FT-SE-A All-Share index is still about 8 per cent below February's peak. What are the prospects for the UK and elsewhere over the rest of this year and 1995? Scheherazade Daneshkhu asked several leading fund managers for their views.*



David Rosier, chairman, Mercury Asset Management. We remain positive about the UK for three main reasons: the large degree of under-utilised capacity, enabling the economy to grow above trend without provoking inflationary pressures; the likelihood of a significant improvement in public sector finances, so improving the technical position of the gilt market; and a favourable valuation compared with other major markets.

This year has seen a dramatic upswing in sentiment towards Japan, partly fuelled by the underweight position in Japanese stocks of many international portfolios. Anticipated shifts in the economic structure, combined with the opening-up of the domestic Japanese market, will encourage inward investment.

In the Pacific area and other emerging markets, the main risks are the reversal of international portfolio flows and adverse developments in China. But the profit potential now appears more significant than the downside risks.

We remain underweight in the US mainly because the opportunity for outperformance is stronger elsewhere. Our stance on continental Europe is still neutral due to the likelihood of corporate earnings disappointing expectations, uncertainties in the political arena, and the valuation of its equity markets relative to other regions.

look attractive, given our view that base rates will not have to rise for some time.

With a bond market recovery, equities should do well. Economic growth should be 3.5 per cent this year and possibly next year as well. Profits should meet or exceed expectations.

We are probably talking about returns of 10 to 12 per cent rather than an explosion, but still an attractive return against deposits or viewed against 2 per cent inflation.

The FT-SE 100 could reach 3,400 by the end of this year and 3,600 by the end of 1995.

Overseas, the picture is complicated by the poor showing of sterling, which has boosted the return of overseas assets to date but seems unlikely to be repeated.

The only currencies against which the pound looks overvalued are those in the dollar bloc. Investors could diversify with purchases of US dollar bonds.

Pacific and other Emerging Market equities look good value again after their setback and are also dollar linked.

Overall, bonds and equities look a good bet relative to cash.



Michael Hart, chairman, Foreign & Colonial Management. We are taking a fairly optimistic view of stock markets for the end of 1994 and 1995. The key factor is that higher interest rates in the United States have begun to slow down the economy, with the result that stock and bond markets may now be talking too pessimistic a view of the outlook for inflation.

We expect the UK base rate to be 5.75 per cent at the end of 1994 and 7 per cent at the end of 1995, but this is well discounted in the market.

Ten-year bond yields should move lower by end-1994 and even lower by end-1995. Bonds in the UK and France could be especially cheap.

As far as equities are concerned in the UK, Europe and Japan, profits could be showing good increases. However, the US is four years into its recovery and further advanced in the profit cycle, so the best of the increase in profits may have been seen.

If all goes well, the FT-SE 100 index could be 3,500 by the

year end and 3,850 by the end of 1995. Japan could be a particularly attractive market if local investors are encouraged by further political reforms.

Probably the most exciting returns may be obtained in Latin America.

Brazil could be the star, with gains of up to 50 per cent if the new president, to be elected in October, is able to introduce vital reforms. Gains of around 25 per cent could be possible in Mexico.

South Korea looks the most promising of all the emerging Asian markets, with a possible rise of 25 per cent.

remain stretched, even allowing for substantial profit gains, and this is likely to exercise a restraining influence on the performance of these markets.

Japan may also offer private investors only limited potential over the next 12 months. The economy is gradually emerging from recession but the recovery is likely to be anaemic.

We believe that it is right for private investors to remain committed to equity markets. Our preference is for the UK and US markets, and we would retain a relatively modest exposure to cash and bonds.

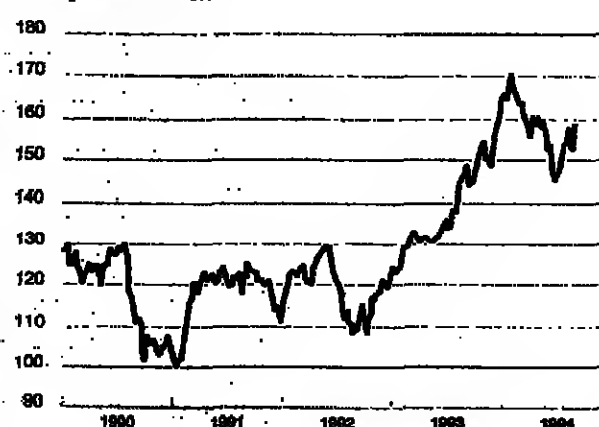


Clive Boothman, managing director, Schroders Unit Trust Ltd. As far as the UK and Europe are concerned, a combination of relatively pallid consumer demand, spare capacity and continuing low costs, especially wage costs, points to the continuation of a slow growth, low inflation recovery. Consequently, we believe both equity and bond markets represent

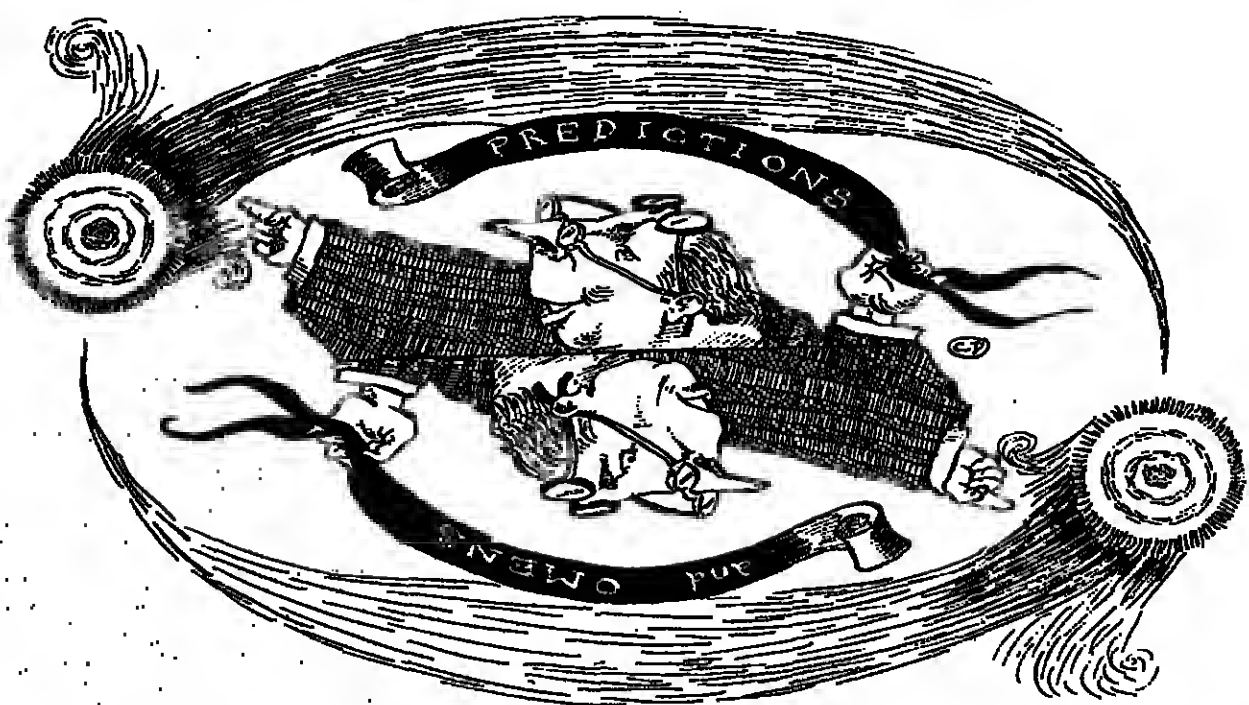
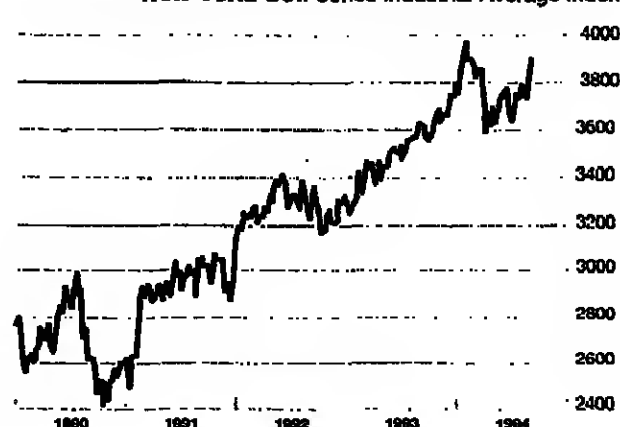
Source: FT Graphics

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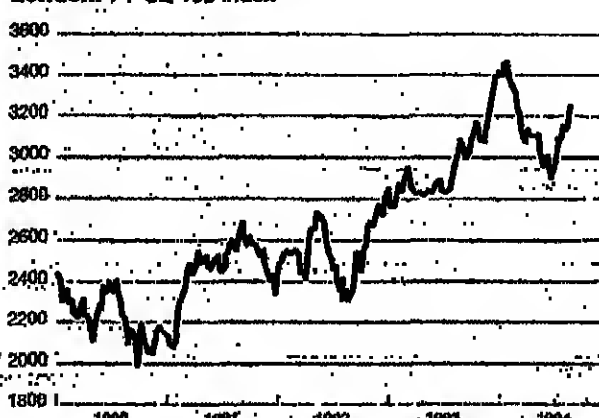
Europe's FT-A World index



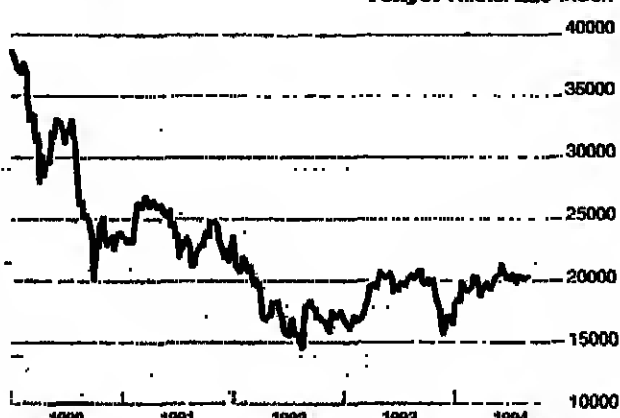
New York: Dow Jones Industrial Average index



London: FT-SE 100 Index



Tokyo: Nikkei 225 index



## What other PEP offers all this?

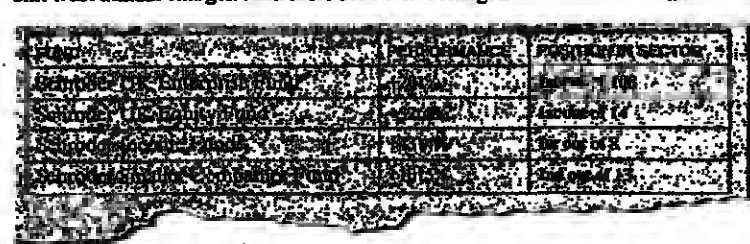
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\*Source: Miford offer to bid with gross income reinvested since launch to 22/08/94. UK Enterprise Fund from 01/08/88 and from 01/08/89 +102%, 1/11/86; Smaller Companies Fund from 01/08/79 and from 01/08/89 +14.4%, 30/52; Income and UK Equity Funds from 01/01/72 (the earliest date for which Miford figures are available) and from 01/08/89 +68.3%, 8/94 and +74.1%, 1/90 respectively.

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Extra Income Fund aims to pay a high and stable income. And if you invest through a PEP the income from that part of your investment is tax-free.

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Home Tel (STD) \_\_\_\_\_

No

Work Tel (STD) \_\_\_\_\_

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## FINANCE AND THE FAMILY

## You can bet on it!

Fancy a flutter on exam results? No problem, says Bethan Hutton



When the GCSE school examination results came out last month, one Manchester mother and daughter had much to celebrate. The daughter got 10 A-grades and her mother won £150 from a bet on the outcome.

Putting money on a child's academic success might not appeal to everyone - it could put unwelcome additional pressure on a nervous candidate - but, every year, a few parents choose to have a flutter.

Bookmaker William Hill started offering odds on exam grades a few years ago when a 15-year-old boy studying for GCSEs asked to lay a bet on his own chances. He was refused - betting is illegal for under-18s - but his father then staked £50 at 20-1 that his son would get all A-grades.

Then the boy's headmaster also placed a bet - and with such confidence from those

with inside knowledge of his form, it was not surprising that the boy turned out a winner.

Since then, the typical odds have narrowed. Graham Sharpe, at William Hill, gave the bright Manchester girl odds of 3-1 after seeing her latest school report and mock GCSE results. But, given that about 80 per cent of bets on exam results are successful, Sharpe's odds may still be on the generous side.

Another winner this year was a father whose son arrived in the UK from the former Yugoslavia only in May 1992 but still managed three grade As at A-level this summer.

Winnings usually end up in the hands of the successful youngsters, perhaps as a cash bonus or in the form of a new bike or holiday. If you had planned to wave a £50 note or two in front of your child as an incentive for diligent revision, then placing a bet could be one way of doubling or

even tripling the potential reward. If, however, your child slipped one grade but then demanded a reward for all the effort, anyway, you might regret having staked the money.

As with all wagers, there is a tax of 10 per cent. You can decide whether to pay it when you lay the bet or run the risk of paying 10 per cent of your winnings.

If your children's talents lie in other directions, you can find hookies willing to lay odds on sporting prowess or almost any other achievement.

Sharpe was contacted recently by parents wanting to bet that their son would play rugby for England. Any win would be a long time coming, though - the lad was only 17 days old.

At that age, the odds offered can be spectacular: perhaps 10,000-1 or more. But when the child is older, and has had the chance to show if it has some footballing talent, they drop quite sharply.

Even so, most parents betting on their children's sporting success get only entertainment value from the bet. But, six or seven years ago, Sharpe accepted £200 from a proud father who wagered - at 500-1 - that his son would win the 1,500 metres race at the 1996 Olympics.

That boy is Curtis Robb who was, at the time, just another good teenage runner. Since then, though, he has become a leading athlete who ran in the 800 metres at the Barcelona Olympics two years ago. Sharpe is now confronting the real possibility of having to pay out £100,000.

So, if you cherish dreams of your son or daughter winning an Olympic gold or getting into parliament, there is nothing to stop you backing the dream with a little cash. It might be a very long shot - but how many other investments could pay out £100,000 after 20 years for a one-off £200 premium? Just be sure you don't lose the betting slip.

## The Professionals

## Looking to the long term

Joanna Slaughter sums up her series on private client fund managers

The investment managers profiled over the past 10 weeks differ on asset allocation, stock-picking, the use of derivatives and the management of a private client relationship. But none would dissent from the view that Big is Beautiful. Indeed, size is their most seductive sales pitch.

Certainly, it bestows benefits that more modest investment houses cannot provide. There is much advantage to be had in pointing out that the portfolio managers who look after private clients draw on the same research and global investment resources as the managers who run billions of pounds of institutional money.

Size also provides a great degree of security for the assets of private clients, along with capital resources for the systems and manning levels needed to provide customers with the attention they want. After all, those who go to the investment equivalent of Savile Row expect both a bespoke suit of financial clothes and first-class service.

Accordingly, many of the largest firms are able to devote considerable resources to matching the client to the fund manager, and to ensuring that an administrator is a lead player in the private client team, not a tail-end Charlie. As David Rosier, the chairman of Mercury Asset Management (the investment management arm of the S.G. Warburg Group), put it: "People can understand that you don't always get that extra bit of performance, but they can't understand if you don't spell their name right or if they don't receive their dividend cheques."



The City in 1887... many firms retain the old values

run white and black lists of stocks. The freedoms allowed to individual managers within these lists vary but, overall, most firms might well agree that their investment style was long-term, cautious and conservative.

Although portfolio management starts from the premise that the client is king, not all firms allow their clients to be absolute monarchs. Indeed, in flexibility, some of the blue-chip investment management outfits compare badly with more modest rivals.

Some accept clients only on a discretionary basis, and the use of collective funds for overseas and specialist investments is universal. At Schroder, any private client with less than £500,000 is directed to the

Schroder World Fund unit trust, and assets of £2m are needed for a managed portfolio of equities.

Of course, controlled investment management, underpinned by huge research capability, is of little benefit unless it produces performance - but relative performance is not easy to gauge with bespoke portfolios. Alastair Begg, chief investment officer of Kleinwort Benson Investment Manager, says: "There is no answer that is likely to be right for more than one client."

Some managers run model portfolios, however, and firms increasingly are offering a unit trust that replicates the portfolio of a private client portfolio. This fund acts both as a shop window for the firm's invest-

ment skills and a way of appealing to the smaller investor market.

The big question is whether the intimate relationship between client and manager, the services offered, and the investment results achieved by the private client division of a huge investment house are enough to justify what are, in some cases, very high minimum investment requirements and stiff management fees.

Certainly, exclusivity can come at a price that only a niche market of investors can afford. Tim Keown, director of £125m Ely Fund Managers, points out that many of the leading investment managers are declining to consider large numbers of private clients if they are looking for managed portfolios of equities.

Keown adds: "There is a large chunk of the private client market where the average family or individual has investment capital of £50,000 to £100,000. They want a discretionary service and a genuinely reliable personal relationship at partnership level."

In the main, that certainly is not the market that the big investment managers are chasing. They want to attract more investors into their unit trusts; but most believe that future expansion of their private client numbers will come from "new" money - the fruits of entrepreneurial activity - and from overseas clients.

## GUINNESS FLIGHT

## UNIT TRUST PEPs

## GUINNESS FLIGHT

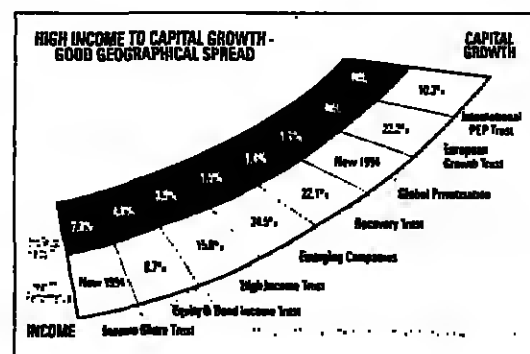
## PEP FOCUS

PERFORMANCE IS EXCELLENT  
PRODUCT RANGE FOR ANY PORTFOLIO  
PRICED FOR VALUE

- Low 2% initial charge\*
- No withdrawal charge after 3 years

Guinness Flight was named best performing medium sized unit trust group over one year in 1993†.

Four timely trusts from our comprehensive range of 8 unit trust PEPs (see across) are highlighted below.



## INCOME SHARE TRUST

PERFORMANCE (Launch 16.4.94)

Microcap Offer to Open: net income returned to 1.84%

INCOME SHARE	1.1%
MICROPAL (SC Inc. Share)	-0.8%

ASSET ALLOCATION @ 8.94%

UK Equities 9%

UK Bonds &amp; Cash 1%

UK Income Shares 7%

FUND SIZE

GROSS YIELD @ 8.94%

DISTRIBUTIONS

20/3 25/6 28/9 31/12

INITIAL CHARGE

ANNUAL MANAGEMENT CHARGE

5.0% 2.0% 1.0% 1.2%

\*On opening scale of net charges

†See accompanying scale of net charges

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## HIGH INCOME TRUST

PERFORMANCE (Launch 2.10.78)

Microcap Offer to Open: net income returned to 1.84%

HIGH INCOME	15.0%	62.2%	51.6%
MICROPAL (UK Equity Inc.)	8.0%	48.4%	40.4%

ASSET ALLOCATION @ 8.94%

UK Equities 9%

UK Bonds &amp; Cash 1%

UK Income Shares 7%

FUND SIZE

GROSS YIELD @ 8.94%

DISTRIBUTIONS

20/3 25/6 28/9 31/12

INITIAL CHARGE

ANNUAL MANAGEMENT CHARGE

5.0% 2.0% 1.0% 1.2%

\*On opening scale of net charges

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## RECOVERY TRUST

PERFORMANCE (Launch 5.2.78)

Microcap Offer to Open: net income returned to 1.84%

RECOVERY	22.1%	100.6%	11.9%
MICROPAL (UK Growth)	8.0%	45.0%	32.4%

ASSET ALLOCATION @ 8.94%

UK Equities 9%

UK Bonds &amp; Cash 1%

UK Income Shares 7%

FUND SIZE

GROSS YIELD @ 8.94%

DISTRIBUTIONS

20/3 25/6 28/9 31/12

INITIAL CHARGE

ANNUAL MANAGEMENT CHARGE

5.0% 2.0% 1.0% 1.2%

\*On opening scale of net charges

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## TEMPLE BAR EMERGING COMPANIES FUND

PERFORMANCE (Launch 30.7.82)

Microcap Offer to Open: net income returned to 1.84







## FINANCE AND THE FAMILY

## Private health cover spreads

Bethan Hutton finds that Bupa remains the biggest but Norwich is making its mark

One in nine people in the UK is now covered by private medical insurance, according to research by market analyst Euromonitor. It says the UK will spend £1.4bn on medical premiums this year and predicts the figure will have reached more than £1.6bn by 1998.

Spending on premiums rose by 46 per cent between 1989 and 1993, while the amount spent on advertising surged during the same period: up by 138 per cent to £12.9m in 1993. Much of this was spent as the British United Provident Association (Bupa) battled to retain its dominant position and Norwich Union launched a growing range of plans.

Bupa still has the largest share of the market, with 46 per cent, followed by BUPA with 28 per cent. Figures from specialist health analyst Laing & Buisson show that Bupa's market share has fallen from 59 per cent in 1985.

Newcomer Norwich Union, which started selling medical insurance only in 1991, has taken 8 per cent of the market already and overtaken the Western Provident Association to become the third-largest provider of private insurance.

L&B's latest report shows that an estimated 6.68m people in the UK have private cover, which is a slight fall from the peak of 6.63m in 1990. The decline is

thought to have been caused mainly by the recession and steep premium increases. These have slowed, from 6.9 per cent above inflation in 1991 and 9.7 per cent in 1992 to 3.3 per cent in 1993.

But L&B says that, despite the success insurers have had in controlling costs, premiums are likely to continue to rise faster than inflation for the rest of the decade.

Euromonitor and L&B both expect the market for private medical insurance to start expanding again over the next few years as worries over the National Health Service continue and new products make private cover more accessible. L&B projects from present trends that almost 17 per cent of the population - or 9.9m people - could have private insurance by the year 2000, compared with just over 11 per cent today.

Several new types of policy have appeared, particularly at the low-cost end of the market. This started with BUPA's introduction of the first "six-week wait" policy in 1979; this paid for private treatment only if the NHS waiting list was longer than six weeks. Since then, helped by all the publicity about long NHS waiting lists, six-week plans have spread throughout the market. Other plans restrict cover to in-patient treatment or certain types of hospital.

I live on a private road, the common parts of which are owned by a limited company in which all the freeholders are also shareholders. The company has reserves of about £35,000 in an account earning 2 per cent.

What is the best kind of investment account in which to keep this money?

Because of the relatively small amount of money involved, it is difficult to see how you are going to get significantly better rates with a bank deposit.

If the company employs an accountant or solicitor to prepare annual accounts, it might be worth seeing if this amount of money could be bulked with other sums on client account to achieve a better rate of interest than the present one. (Murray Johnstone Personal Asset Management).

## Guarantor who had to pay

Several years ago, I agreed to be a guarantor in respect of a company overdraft. But the business failed and I was obliged to compensate the

bank to the full extent of my guarantee.

Is it possible for the sum thus paid to be used in offsetting a current liability for capital gains tax? If so, are copies of correspondence sufficient evidence to forward with my tax return? And can the "loss" be indexed?

There is no indexation relief on guarantor's payments. Section 139(4) of the Capital Gains Tax Act 1979 (re-enacted as section 233(4) of the Taxation of Chargeable Gains Act 1992) says:

"If, on a claim by a person who has guaranteed the repayment of a loan which is... a qualifying loan, the inspector is satisfied that (a) any outstanding amount of, or interest in respect of, the principle of the loan has become irrecoverable from the borrower, and (b) the claimant has made a pay-

## Can we do better than 2% interest?

## Q&amp;A

## BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given to these queries. All queries will be answered by post as soon as possible.

ment under the guarantee... in respect of that amount... (then) this act shall have effect as if an allowable loss had accrued to the claimant when the payment was made; and the loss shall be equal to the payment made by him... less any contribution payable to him by any co-guarantor in respect of the payment so made."

It is a pity you have waited nearly five years before making your claim. However, you should submit one forthwith, without waiting any longer.

In addition to the correspondence, you should give the inspector the name and address of the company and any other details which may help in tracing the company's tax files.

The inspector will want to see exactly how the money was used by the company - to check (for example) that the whole of the payment which you made relates to a "qualifying loan".

## Wife wants her money faster

I lived and worked overseas for 10 years with my husband, who is a foreign national, but I have now returned to the UK with our two small daughters.

We decided to separate as he wants to live in his own country. Before applying for a divorce, we agreed to divide our savings in half, with my portion being transferred to the UK.

In order to make tax-efficient investments, we have begun using a personal equity plan under my name to bring in the money. But it would take about 10 years to transfer it like this. Is there a better way to do it?

It might well be in your own interests, and those of your children, to ensure that the division of savings be carried out immediately rather than be prolonged over 10 years.

As an individual, you are allowed to put £5,000 a year into Peps - £5,000 in a general PEP and £3,000 in a single company PEP. In addition, Tessa (tax-exempt special savings accounts) enable a total of £9,000 to be invested over a five-year period.

As for investing the balance, this depends on the amount of money involved and your personal circumstances. As a rough and ready suggestion, it could be well be worth looking at high quality investment trusts where the investment criteria is very low or nil income but maximum capital growth. Thus, your income tax

situation could be minimised and, providing you use the annual exemption for capital gains tax to mitigate CGT as much as possible, you should be able to run a simple, tax-efficient portfolio for yourself. (Answer by Murray Johnstone).

## House sold for less than value

I sold a house to my daughter recently. The property was purchased in 1983 and lived in as the family home for five years. My wife and I then moved out of the house to another home, which I declared to be my main residence for mortgage tax relief.

Our daughter continued to live in the house which she has just bought, sharing it with two other people and paying a rent to me which just paid for the mortgage.

The purchase price in 1983 was £30,000; the valuation for the sale (last December) was £55,000; and the actual price taken for the house from my daughter was £40,000. The difference of £15,000 is, as far as we are concerned, a gift to our daughter.

I do not imagine that I will have to pay much, if any, capital gains tax on the house. But I am not sure if there are any tax complications or liabilities on the £15,000.

The solicitor who acted for you in the sale is, of course, best placed to guide you through the CGT labyrinth.

To get a broad idea of the intricate and arbitrary rules, you could ask your tax office for the free leaflets CGT 4 (Owner-occupied houses) and CGT 14 (Capital gains tax: an introduction), but bear in mind that they are not up to date.

You will be assessable to CGT on the sale as though you had sold the house at its full market value (by virtue of section 18 of the Taxation of Chargeable Gains Act 1992 [Transactions between connected persons]).

But, in addition to the relief for the number of days during which it was your main residence, you should be entitled to relief for the same number of days during which it was let (by virtue of section 223 of the Chargeable Gains Act [Relief on disposal of private residence - amount of relief], without double counting the final 1,096 days before the sale).

As you will see, the calculation depends upon precise dates - but you might well have no CGT to pay.

## Annuities

## Rates hold up

## LATEST ANNUITY RATES

Compulsory purchase level annuity			
Male age 65	Annuitant	Female age 50	Annuitant
Months movement -2.4%		Months movement +1.4%	
Prudential	£10,037.64	Prudential	£9,091.08
Sun Life of Canada	£9,968.87	Royal Life	£9,968.16
Equitable Life	£9,997.00	Sun Life of Canada	£9,998.55
Male age 60	Annuitant	Female age 50	Annuitant
Months movement -3.3%		Months movement -0.4%	
Prudential	£10,828.40	Prudential	£9,973.92
Sun Life of Canada	£10,823.91	Royal Life	£9,942.52
Equitable Life	£10,815.00	Sun Life of Canada	£9,981.56
Male age 70	Annuitant	Female age 70	Annuitant
Months movement 0.0%		Months movement 0.0%	
RNPPN	£14,310.24	RNPPN	£12,378.20
Canada Life	£13,901.64	Royal Life	£12,180.76
Royal Life	£13,845.89	Canada Life	£12,058.76
Joint Life - 100% spouse's benefit			
Male 60/Female 57	Annuitant	Male 65/Female 63	Annuitant
Months movement +0.9%		Months movement 0.0%	
Prudential	£9,162.48	Prudential	£9,687.44
Royal Life	£9,066.05	Royal Life	£9,683.23
Sun Life of Canada	£9,026.42	Canada Life	£9,593.52

All payments are monthly in advance. Rates are as at 31 August 1994. Figures assume a purchase price of £20,000 and are shown prior to 10% premium. Rates are available only to those in the ordinary and allied professions. Figures supplied by the Annuity Bureau Limited, Grosvenor House, 50/51 Upper Ground, London, SE1 6PL. Tel: 071 626 4000.

August has seen a relatively even split between companies which have decreased their annuity rates and those which have increased them.

Key players to have moved downwards include Equitable Life, which dropped its rates by 4 per cent on August 11, and Stalwart Insurance which dropped by 2 per cent on August 8.

The most recent movements, however, have taken a slight upward trend; companies to have increased their rates include Sun Alliance which moved up by 2 per cent on

August 23, and Sun Life of Canada which increased its rates by 1 per cent on August 25.

The continuing shifts make it hard to predict what might happen over the next few weeks, but those soon to retire should take comfort in knowing that rates remain very good. This is encouraging for people seeking an immediate income and who would prefer to buy an annuity now rather than wait for the possibility of better returns later in the year.

Peter Quinton,  
The Annuity Bureau

## Foreign &amp; Colonial savers keep smiling through.

£1,000 INVESTED IN FOREIGN & COLONIAL INVESTMENT TRUST PLC IN 1945 IS NOW WORTH £205,548\*

Despite uncertain markets and worries about interest rates, Foreign & Colonial savers have plenty to smile about.

Just look at the growth shown above. Today the saver would be over £200,000 better off. The same sum invested 10 years ago has now grown to £5,777\*. By comparison, £1,000 invested in 1945 in a higher rate Building Society account would today be worth £110,404\*\*.

From a modest £25 a month, you can save in our Private Investor Plan, one of the simplest and cheapest ways into international stockmarkets.

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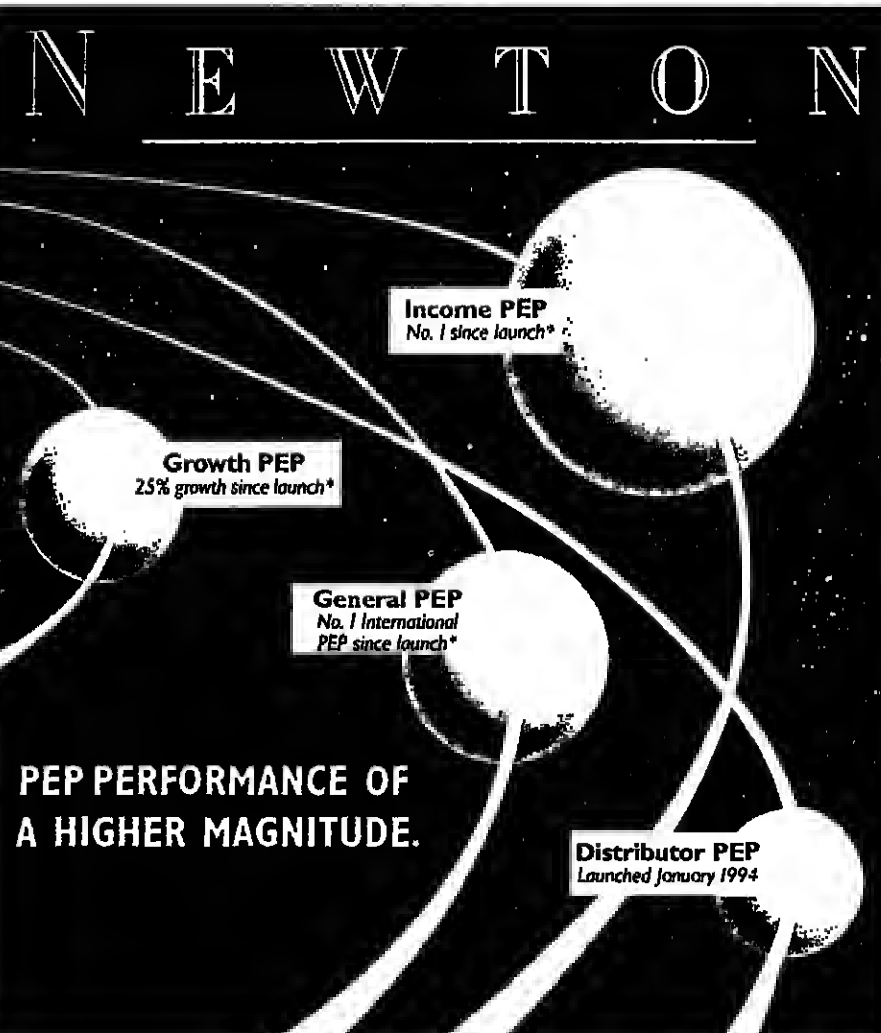
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## PERSPECTIVES

As They Say in Europe

## Confused by the lessons of war

There was a fairly interesting editorial in the London *Sunday Telegraph* last week on the subject of crime and punishment. An Anglo-Saxon obsession these days. Its main thrust, if I understood it, was that in western societies the (criminal) enemy at home resembled the enemy abroad of past times, that is to say Germany. And enemies have to be severely punished, not understood. That was aimed at Tony Blair, leader of the Labour Party, who once said he would be "tough on crime and tough on the causes of crime".

The *Telegraph* said the background to criminal behaviour should be a secondary matter of concern and concluded with a reference to 1914: "Germany's illegals then, as again in 1939, were defeated by force, not by inquiring into their causes."

This argument suggests bizarre conclusions and on this day, the 55th anniversary of the outbreak of the second world war, it is worth seeing what they are. Let us start with the Great War, which *Le Monde* celebrated last month with a series of illuminating studies of lesser known aspects of that event. One of the last pieces was headlined, "The army distressed by a beaten and shocked Germany."

saillies which, in another article, *Le Monde* called, "The antechamber of the next catastrophe". At Versailles, Germany was punished in a manner that would gladden the heart of a Sunday editorialist. She was found guilty to the dock of world opinion, lands were lost and huge fines imposed (which were not paid).

To cut a long story short, Hitler played on the myth of the stolen victory and the stab in the back, launched the second world war and tried to murder the Jews whom he held responsible.

These "illegals" eventually met with a firm response. The anniversaries of that action now flood the newspaper.

**James Morgan asks if Bomber Harris would stamp out crime**

pers. But the *Frankfurter Allgemeine Zeitung* celebrated the anniversary of the liberation of Paris in an unusual manner. One item started: "In this year there is no end to the commemorations of the events of 50 years ago. They will continue until May 1995. Fifty years ago many in Europe experienced horror."

"In Germany it was above all the allied bombardment which the people had increasingly to suffer. Almost every day towns were the target of heavy attacks, some places were bombed again and again, for example Kiel with its harbours and U-boat depots. Not only were military installations hit by the allied air fleets, but also, systematically, residential districts. What happened in one such attack is reflected here in the matter of fact words of the record kept in the war diary of a marine auxiliary on August 26 1944."

The report was a hair-raising account of nearly six hours of heavy bombing in which both

sides suffered substantial losses. But, having read *Le Monde* just a day before, one was struck by a reassuring fact: how different things were in 1945 from 1918. At the end of the second world war no German could think his country had been spared "terror and destruction" nor could he think it had not been defeated. And Germany, as the *PAZ* implicitly pointed out, suffered a similar fate to that of its victims in the second war.

One conclusion might be that we must all thank Lord "Bomber" Harris for half a century of peace in western Europe. The controversial head of the Royal Air Force is regarded as a war criminal in some circles in Germany because it was he who implemented the policy of so-called carpet bombing of German cities. But one must recognise that Germany, where memories of the raids are as vivid as ever, has presented no threat to anybody for the first time in 100 years. And still does not today.

That looks like one up to the *Sunday Telegraph*. Yet there is another side to the story. After the second world war there was no Versailles. Germany, at least the western part, was given a shiny new constitution and pots of money. No huge fines, no isolation from the community of nations, instead a willingness on the part of the victors to learn from their past mistakes.

If there is a lesson in terms of domestic law enforcement in all this, which is doubtful, then it is a peculiar one. The police should be extravagantly violent in their pursuit of the criminal, but the judicial agencies must exercise extreme leniency in the imposition of penalties. In other words, in English terms, the accused should be beaten up in the demand cell before the trial and given an unconditional discharge after it.

James Morgan is economics correspondent of the *BBC World Service*.



The perfect match: Linda Harrison and David Buck, with visiting cricketers at the Old Vicarage hotel in Hampshire

Minding Your Own Business

## Sales pitch that fills rooms

Tim Minogue visits a hotel that found success by creating its own cricket square

Encouraging parties of amateur cricketers to leave their cars in the hotel car park, friends at home for several days and stay in a hotel with a 24-hour bar sounds like a recipe for disaster. Hoteliers of a nervous dis-

position might imagine fragile profits shattering along with the crockery in the course of bachelorette parties. In fact, concentrating on catering for amateur cricket tours proved to be the salvation of Linda Harrison and David Buck's hotel business.

The couple, who both worked in marketing and conference organisation, impulsively purchased a 15-year lease on the seven-bedroom Old Vicarage Hotel at Hinton, Hampshire, for £72,000 in 1992.

The business was in receivership, having lost £28,000 in the previous year. What made Buck and Harrison believe they could succeed where others had failed?

Harrison, who is 43, says: "None of the partners worked here. The restaurant had a bad reputation. There was little control over costs and the marketing was unprofessional."

Having cut costs and raised standards, Buck and Harrison played on the hotel's strengths: a quiet rural location, 10-acre garden, to the New Forest just a mile from the sea. Mailshots targeted potential customers. Yet, at the end of their first season, they were struggling to break even.

Buck, 42, says: "We realised that whatever we did, we were not going to make a living out of British holidaymakers."

Foreign visitors loved the place, but usually only stayed a night or two.

"What we needed," says Harrison, "was to find a niche - something to do the day in the Forest was doing - that would guarantee room occupancy during the week."

In the summer of 1993, they took a lease on an overgrown neighbouring field with the idea of using it as a car park for wedding receptions. When he had cleared the chest-high nettles, however, Buck realised that he was standing in the middle of what could become, with imagination and hard

work, a delightful, rustic cricket oval. Could cricket be the niche they had been searching for?

A crude square was prepared and an advertisement placed in the *Cricketer* magazine, suggesting the hotel as a base for teams touring the area.

"We expected about six replies," says Buck. "We were astonished to receive more than 50 serious inquiries."

Within weeks, 25 cricket teams had booked to stay at the Old Vicarage in the 1994 season.

Buck invited an old friend, former Hampshire county cricketer John Rice, to inspect the wicket. "His advice was to dig it up," Hampshire's groundsmen at Southampton

Buck, who reached the pinnacle of his own cricketing career in the 1970s with three or four appearances as a fast bowler for Hampshire Second XI, was impressed by the enthusiasm if not the talent of his recruits, who range in age from 24 to 74 and include the hotel's chef, a couple of City types, an engineer, a roadworker, a toy maker and a retired major. Intensive coaching sessions are slowly paying dividends: Hinton's record to date is played 17, won three, lost 13, drawn one, compared with a 100 per cent record of defeats at the end of July.

Buck provides prospective touring teams with a fixture contact list for more than 100

local sides in Hampshire and Dorset. The bar, crammed with cricketers, remains open as late as the guests wish. Only on one occasion have victory celebrations got out of hand, when a 2am water fight ruined several mattresses.

Half of the teams which stayed at the Old Vicarage in 1994 have made firm bookings for 1995.

Harrison says: "The cricket enables us to plan ahead. We know we will have that cash flow in a year's time."

The couple believe that only two or three other hotels in Britain have their own cricket pitches. It is proving an attractive asset for corporate entertainment. Heston, Lloyd Bank and Chasman & Mann have all held staff cricket matches and barbecues at the Old Vicarage; another company plans to use the ground for an archery day.

Buck and Harrison expect to make a small profit this year on a turnover of about £130,000.

A bonus for Buck is that he gets to be captain of his own cricket team. He can afford to be more philosophical about losing than most skippers. "I like to see our visitors go home happy. Anyway, when they've won, they spend more at the bar."

The Old Vicarage Hotel, Lyndhurst Road, Hinton, nr Christchurch, BH23 7DR. Tel: 01252-277006.

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## Tinseltown's lost lustre

Continued from Page 1

with top women such as Roberts trailing gamely at \$8m.

So the star, having broken free from the old-style studio's ceiling wages and being further flattered by the ministrations of his publicity people, suddenly commands both the ego and the capital to initiate his projects.

However much the star's advisers may demure, dreadful films such as *Endless Hank* and *Johnny and Latex Action Hero* get made. And although the ego may land with a third, the agents get their upfront "packaging" commissions and 10 per cent. And the star - such is the militarised power of modern Hollywood hype - is up and flying again before you can cry "Variety charts".

The great virtue of the old studios was that egos were kept in check. People knuckled under to the next film on the contract. And when they bowed to the studio's routine publicity demands, it was to a general fairness quite unlike the terrorism of today's PR work. As Deborah Kerr once remembered for me: "They would wheel us out for an hour or so to pose for magazine covers - green backgrounds for this magazine, pink for that one - or to chatter about how we kept our cold cream in the ice-box. Then back to the movies."

Today it is not this benign exposure that counts in PR work, but the cult of near-mystical stardom. The modern publicist's job is to preserve the idea of the star, or star director, as above us all: and to gloss over minor failings from the sky. (Pop movies often mysteriously vanish from later publicity-packs about a film personality.) Hollywood press agents have



John Goodman as Fred Flintstone

become known as "sup-press" agents for their ability to preserve this myth of unattainability.

So big Hollywood movies, powered by their stars' artificially-generated rarity value, are made to seem like visits from an extraterrestrial. It hardly matters whether the films themselves are good or bad: that rarity value invariably makes them an "event". And when the star designs to fly to Earth once a year to open his new film, the PR people surround him and the picture with an entire ecology of support iconography. *Batman* T-shirts for Tim Burton/Nicholson's offering; *Flintstone* toys for Spielberg's latest; a whole playground arsenal for Arnie's new actioner...

Edward Pressman, the independent producer who has rolled out high-visibility films as diverse as *Conan The Barbarian*, *JFK* and *Reversal Of Fortune*, thinks the age of the ego, encouraged by agents and publicists, has its compensations. "There

is a level of talent and idiosyncrasy that didn't exist to the old Hollywood," he tells me. "You could say the quality of mainstream movies that the studio factories made, was more consistent. But it's been persuaded for today by a lot of films that would never have been made then: experimental films, ones that break the mould."

Point taken: but it applies more to the low-cost end of the market than the high. (Even *Schindler's List* was a shoestring operation by Spielberg standards.) What we have at the high end is star egomania eternally demanding more money, via the agent, and more image-enhancement, via the publicist.

In a word, hype. The same hype that causes millions of gullible film fans to flock to movies like this summer's movies so freighted with star names or so pre-publicised as happenings that no one realises - until they have paid \$100m to push the *Flintstones* or *Moonraker* or *True Lies* into profit - that the films are as imitative, overblown and perishable as carnival floats.

What do the agents care? They take the money (up-front) and run. What do the publicists care? The triumph of their art is written in the ledger books. And what does the "talent" care? It thinks it is God anyway. Everything tells it so, from the people it employs, to the film-goers lured into overpaying for its films.

If it is a mad world, it is one with its own disarming logic. When MGM mogul Louis B. Mayer saw trouble coming back in those star-enriching 1940s - "The lunatics are taking over the asylum" - little could he have guessed at the perfect mutual support which would evolve decades later, between those lunatics and their Lotoland lackeys.



## PERSPECTIVES

# The sentimental way to pick a Rose

Lucy Kellaway visits Tralee and watches a 23-year-old capture one of the most bizarre prizes on offer to women in the 1990s

She is a 23-year-old with ginger hair, a job in tourism and a liking for padded party frocks in blue satin. She was head girl at her school in Limerick, is a dutiful daughter and is looking for a husband strong enough to carry the harp that she plays for charity.

This admirable young woman has just become the owner of a gilded crown studded with fake emeralds and diamonds and a large ornate glass trophy. Muirne Hurley is what every pure young Irish lass would love to be the 1994 Rose of Tralee.

This must be one of the most bizarre prizes on offer to women in the 1990s. The beauty contest, now in its 36th year, is open only to those of Irish extraction. The winner is supposedly chosen not for her vital statistics, but for her ability to "just be herself" - whatever that means.

Nevertheless, there was not a single fatty, nor a set of buck teeth among the 1994 crop of 32 competing Roses. They had come to Ireland from all over the world - from the US to Dubai to New Zealand.

Their parents may have escaped from Irish poverty, but their offspring are delighted to return, gushing over the charms of the mother country in the hope of winning the title. Most of them were more than bimbos: some had a university degree, others were tax consultants, investment advisers, vets, and journalists.

Yet each was prepared to stand on the stage and sip, alongside Gay Byrne, a 60-year-old smoothie who is the best loved personality on Irish telly.

Comfortable in their vulgar array of evening attire, they cheerfully replied to Byrne's questions about whether they had boyfriends, and what their daddies did for a living.

Those who could, then did a little jig, sang a song or recited a poem. Even those who could not had a go: one gave an alarmingly flat rendering of *The Streets of London*. Another got into a sorry muddle over the passage she had selected from *Under Milk Wood*.

But the audience loved it. More than half of the women in Ireland were glued to their TV sets watching the contest. The rest were presumably in the betting shop, initially putting money on the Adelaide Rose, a petite dyed blonde with a big white smile.

But when Muirne Hurley came on, and in particular when her eyed father stood up in the audience for an impromptu serenade the hot money switched.

He sang in rich baritone the moving words: "Through lovely and fair as the rose of summer, yet 'twas not her beauty alone that won me! Oh no, 'twas the truth in her eyes ever dawning! That made me love Mary, the Rose of Tralee!"

The people of Ireland know a winner when they see one, having



In search of a husband strong enough to carry her harp: Muirne Hurley, the 1994 Rose of Tralee, chosen for her ability to "just be herself"

Norah Conry

watched this annual display of sentimentality for more than three decades. Within minutes the odds on the Limerick Rose had shortened from 12-1 to 3-1.

There is an implicit code of conduct that Roses only break at their peril. The Boston Rose did herself no favours by boasting about the paper she had written on the politics of Northern Ireland. The Belgian Rose should never have admitted that if she saw a man she fancied she invited him out. When it comes to "just being herself," it seems a Rose can go too far.

More important still, Roses must

not be seen to be competitive. They have to keep up the pretence that simply being in Tralee (a workaday town in Kerry) for a week of trips to distant hotels to shake the hand of ex-prime minister Charles Haughey is prize enough.

They must not drink or smoke in public. They are expected to pick at their food: indeed when the Galway Rose put away a large heaping of lemon pie and cream at one of the main banquets the story was reported in the Irish Times.

Neither must they read the newspapers. It is feared that if the Roses read everything written about them

- most papers carried several pages of fulsome copy and glamorous pictures every day of the festival - they might be left with no time to fulfil their busy schedules.

Try as it might to recreate an age of sentimental innocence, Tralee could not quite keep the modern world at bay during the week. While the Roses batted their eyelids inside the festival dome on the streets of Tralee a booze-up was taking place on a scale remarkable even by Irish standards.

Young lads poured into the town's camping sites and pitched their tents in preparation for a

week of dedicated drinking. One got so over-excited as he watched the Limerick Rose being crowned that he took off all his clothes and mounted the statue in the town square. That poor chap is now facing a prison sentence for his moment of abandonment.

Even more shocking, two of the nice Irish boys given the job of chaperoning the Roses during the week disgraced themselves. One got woefully drunk, and another woman (mercifully not his Rose, whom he had safely escorted back to her hotel by midnight).

Another regrettable incident was the photo opportunity for the first ever black Rose. With an almost touching lack of political correctness photographers had her pose with a pint of Guinness, with a view to a "Black on Black" picture caption.

All hell broke loose among the festival committee - a gang of five officious pale green jacketed locals, headed by a Bill Looney.

They were offended not just at the association with alcohol, but also because the Roses must not be seen to advertise anything.

But most sobering of all was

when the Washington Rose was made to relate the tale of how her two cousins had been gang raped and murdered, and how her brother - who was trying to save them - was charged by an incompetent policeman with having killed them. This grotesque story made the cheerful chatter that followed even harder to swallow than before.

Still, on the whole the week was deemed to be the greatest success - nearly £3m poured into the town that week, and if much of that was spent on booze it should not bother the chief sponsor of the event: Guinness.

## On holiday with my brain cells

Christian Tyler explains why getting away from it all is harder than you think

The first apparition materialised at a café opposite San Sepolcro cathedral. My wife scribbled a note and held it up to my nose. "DO NOT STARE," it said. "The man at the next table is John Cleese."

I turned and stared. "It can't be," I hissed. "What's he doing here?" She hissed back: "What are you doing here?"

The second shade was standing disconsolately in a scrum of Italian housewives at the delicatessen counter of the Co-op. It looked strangely like Professor Bill Wedderburn, the eminent labour lawyer and Marxist peer. I stepped forward: "Well, if it isn't..." It was. So we retired to the bar with our trolleys for a beer.

When the third manifestation occurred a few days later I began to wonder what agency was sending them, and why. This phantasm was tucking into a *tutti fruit* ice-cream opposite the Minerva temple in Assisi.

I nudged my brother-in-law, "Is that who I think it is?" "Madre di Dio!" he exclaimed (or something like it). "It's Kenneth Clarke." We decided on balance, being sensitive souls, to leave him in peace with his pudding.

We like to say that we shun other tourists, especially our own compatriots. Yet I was surprised to feel a pang of solidarity with these fellow escapees from the little off-shore island on the rim of the Eurasian landmass.

There seemed to be a message in the coincidences. But what were the wraith-messengers trying to tell me? Surely it was something more profound than that middle-aged swingers take their holidays east of

Arezzo? And why were they so difficult to recognise?

Back at home again, the answer seems obvious: *We were all in the wrong place.* In other words, you may pack your possessions and your children, put the cat in a boarding house, lock the front door and drive 1,000 miles. But you cannot take your brain cells on holiday. Transport your body, soul and senses where you please; your cerebral cortex remains helplessly wired into its own version of reality.

For the first week the brain refuses to leave home at all; it must be distracted with the minor tasks involved in living in a foreign place. In the second week it begins to sur-

render and take an interest in its new surroundings. But by the beginning of the third (if you are wise enough to take three weeks) it is already making ready to return.

Our desire for total dislocation was not entirely vain. Spread-eagled by the heat on an Umbrian hillside, lost to view round the last hairpin bend, it was easy to cultivate the illusion of escape. But the substitute reality of rural middle Italy remained as elusive as the tree frogs whose telephonic trilling filled the nights.

The body was a willing slave to lassitude, the spirit succumbed. And then the brain piped up: "When do the banks shut?" Is there

enough milk for the morning? Hell! It's half-day closing. And the well is running dry... Dear God, will it never rain?"

There are stratagems for this condition. One can play at living the peasant life - up at dawn, walk round the fields of sunflowers browning in the sun, inspect the tobacco plants being expensively watered from the reservoir, scramble indoors out of the sun to read, eat and doze until it is time to open the first bottle of the night.

But the towie's rustic roots are too deeply buried and his agricultural memory has atrophied. A former ambassador to Tokyo once told me that when a foreigner says to you he understands the Japanese

it means he has become Japanese.

That voluntarily displaced person, the holidaymaker, can live like a peasant only by becoming a peasant, which - if he has any sense - is the thing furthest from his mind. So while his eye is delighting in the scene from his vine-clad terrace his cortex is probably calculating how much European Union subsidy he has personally contributed to create such charming effects.

Macbeth was wrong: returning is not more tedious than going over, even if the first encounter with native British reality can be a shock.

My heart sank to my deckchairs at the sight of the newspaper headline

on the Channel ferry: "Princess Di in phone leak probe". Was nothing else happening in my real world? Lord Archer was still in trouble over his share dealings. The replacement royal yacht Britannia was to be hawked around to corporate sponsors and former Page Three girl Samantha Fox had discovered Jesus.

The only piece of genuine news was simply incredible - that the IRA was about to declare a ceasefire in Northern Ireland.

"Good holiday?" they ask you kindly as you mooch into the office. Yes, thanks. Great. (And it was). "Glad to be back, ha, ha," they all add. The proper answer is to roll the eyes heavenward and twist the face into a grimace of simulated pain.

It is a foolish convention. It convicts at the strange superstition that we must never admit, because of the huge investment we have made in going away, that coming home is a real pleasure.

One hundred years ago this summer, two dozen Europeans of different nationalities, members of "The Freeland Association", attempted - and failed - to establish a Utopian "Freeland" in East Africa, on the slopes of Mount Kenya.

Not that they ever got within sight of that wonderful mountain which sits on the Equator - they never set foot beyond the exotic Indian Ocean island of Lamu, where they arrived on All Pools Day, 1894, and sat there sweltering in the Big Bains for three months before they gave up.

Their expedition is remembered today only as one of the smallest footnotes of colonial history, forgotten almost at once by the chancelleries of Europe and by the people of Lamu. But the story of Freeland, inasmuch as we can rescue it from obscurity, has its own particular fascination, coming as it did just before a century whose political history was to be dominated by the great Marxist experiments.

It was just one of countless examples of our human attraction to Utopias: the Freelanders were a very minor example of the phenomenon, a ridiculously tiny group in comparison with the millions who were to be involved in the Marxist revolutions, but their story illustrates the temptation, and the inevitable frustration, of the journey.

The Freeland movement flourished briefly in Europe in the early 1890s under the inspiration of Dr Theodor Hertzka, a not-too-nutty Austrian economist and visionary who, in an extraordinary book *Freeland: A Social Anticipation*, described in extreme detail how a new and splendid community might be achieved if interest rates were abolished and land held in common.

He chose to describe this revolutionary social order - which was to be accompanied by a host of other high-minded reforms - by setting it in the hinterland of East Africa, which he apparently assumed was under-populated and therefore available to newcomers.

The Freeland movement managed to attract adherents from across the fringes of radical Europe - anarchists alarmed by the police crackdown throughout the continent, revolutionaries on the brink of admitting defeat, socialist idealists disillusioned by the drift into conventional and cautious political processes - and, it seems, more sober citizens who were looking for a new life.

Astonishingly, Dr Hertzka managed to persuade the Foreign Office in London to grant permission to

the Freeland Association to send a pioneer party to establish a settlement near Mount Kenya: hence the arrival of 25 Austrians, Germans, English, French, Dutch and Scandinavian members, of whom two were women, on Lamu Island on April 1.

"Freeland" shared many of the characteristics of Utopian movements worldwide and across the centuries. For instance, its adher-

ents were inspired by the vision of a single leader or sage - the counterpart of Karl Marx, the said Dr Hertzka, of whom little else has been remembered. Dr Hertzka had never been anywhere near East Africa - though he must have read the self-regarding memoirs of Carl Peters, the vicious German imperial adventurer of the time - but he does not hesitate to expound, over hundreds of pages, a ridiculous farago of fantasies about life on the African savannah: zebras will be trained to draw carriages, elephants will be amenable

to domesticity like their Indian counterparts, the Masai maidens will embrace chastity, their warriors will lay down their spears and don tunics of Grecian style, criminals will reform, wives will be faithful, drunkenness will vanish, nihilism will wither away, hundreds of thousands of European disciples will soon flock to Freeland. There were plenty of people who read the good doctor's prophecies

of their age. This was a decade when millions of people were leaving Europe to make a new life overseas - in the United States, in South America, in the Antipodes, in Southern Africa. Many of these millions, probably most, left the poverty and impediments of Europe in order to seek economic success.

The Freelanders were not like this: they left Europe in order to

which they proposed to use as their route to the Highlands (utterly unrealistically because the Tana is not navigable) was in flood; the wild behaviour of their members offended the local community, which was and is strictly Islamic, with the women in deep purdah.

There is today only the faintest folk memory of the Freelanders on the island: they are remembered for urinating from the rooftops on to the pedestrians in the narrow street, for shooting water pots off the heads of servant girls, for carousing and drinking and for the immodest dress of the women.

They hung around in Lamu for a few months, their morals and their behaviour degenerating in the uncomfortable heat of the "off" season, until the British authorities lost patience and ordered the cancellation of the expedition and the dismantling of their association.

Some of the Freelanders went home, where Dr Hertzka, who had not actually accompanied his disciples, admitted the failure of his Utopia: rather more of them went elsewhere in Africa, to Tanganyika, Rwanda, Mashonaland, the Transvaal.

Perhaps some of them could not face going home after such a rapid

humiliation, perhaps some of them could not risk it - an expedition of this sort would have included adventurers and rogues as well as idealists and socialists.

So the Freelanders were soon forgotten. But the moral of this tiny episode, this abortion of an equatorial jaunt by a small bunch of fantasists, niggles away. If these Utopian projects seem invariably to fail, why have there been so many?

What is it in the make-up of morally-aware and not-necessarily-foolish people that tempts us to venture out so rashly to seek to make a reality out of manifest fiction? Did the Freelanders seriously think that the African tribes of the Kenya Highlands would welcome them? The explanation must be that it is too easy to invent Utopias, to dream. Occasionally that dream is so persuasive that it comes to be implemented and offered up to the experience of reality. Always, the dream fails, whether of Dr Hertzka or Karl Marx, Freeland or Soviet Russia, the Third Reich or Apartheid.

Better to be Plato or More, Fourier or Butler, Proudhon or Morris, Bacon or Coleridge, and remain in the library. Dr Hertzka's tragedy was that, in the summer of 1894, Freeland was essayed.

■ *Freeland, a novel by J.D.F. Jones based on these events of 1894, has been published by Sinclair-Stevenson (£14.99).*

## The temptations of Utopia

In search of a perfect world, 25 'Freelanders' set sail for Africa 100 years ago. J.D.F. Jones tells how it all ended in disaster

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## HOW TO SPEND IT

# The easyish guide to mobile happiness

Some portable telephones are getting cheaper but there are hidden costs. Peter Knight offers a 10-step guide to talking on the move

If you thought buying a personal pension was a nightmare, try getting the best deal on a mobile telephone. Beginners who want to understand the complexities of the business have three options, in ascending order of easiness:

■ First, read this article very carefully. Next, ask a series of questions of the smart people (in every sense) who want to sell you a telephone. Then, work out (preferably, with a spreadsheet) what is best for you.

■ Second, abandon this article, decide what advertisement you like best (some fancy the Mercury woman with a gap in her teeth, others prefer the minimalism of the Orange ads, while the bargain hunters love the cheap giveaway deals found in the local paper).

Go for the image you like best and the sexiest telephone available - you can assume it is going to cost a fortune, anyway.

■ Third, and quite the best, persuade your boss, spouse or rich, dotting lover to give you a mobile telephone with a written promise to pay the bills.

Since the first mobile phones were introduced a decade ago, talking on the move has progressed from being strikingly unusual to socially gauche and now, oh so ordinary.

While owning a mobile (it's never referred to as anything but a "mobile") might not make you different, it can certainly improve your life. But no matter what deal you strike on these gadgets, if you are paying the bills, it is going to cost you more than owning an ordinary phone - at least £150 a year without counting the cost of the phone or the calls.

Even so, with judicious use and firm discipline to curb excessive chatting, you can escape relatively lightly - from around £300 a year (plus VAT), as the table shows. Just follow our 10 steps to mobile happiness.

## 10 STEPS TO MOBILE HAPPINESS

1. Understand that you are buying a service, not a phone.

The money in the mobile phone business is made primarily by selling air time (the call costs), not the telephones. Handsets can be bought without an air-time contract, but they are then very expensive. The price of most hand portables is subsidised by the companies selling air time, as an inducement to sign up for one of the many options available from the four operators: Cellnet, Vodafone, Mercury One-2-One, and Orange.

2. Navigate through the mobile maze. Mobile telephones (hand portables and car-phones) work on a radio system. Each operator has set up transmitters and receivers throughout their area of coverage (usually on tall buildings) in interlinked "cells",

Mobile telephones: comparative charges			
Operator	Monthly Charge (£)	Low User*	High User*
Cellnet Primetime	25	438	785
Cellnet Lifetime	12.77	372	934
Cellnet Citytime	20	408	873
Vodafone Business	25	438	785
Vodafone LowCall	12.77	372	934
Vodafone Capitalcall	20	408	873
Vodafone Eurodigital	25	438	785
Vodafone Metrodigital	20	408	873
Mercury One-2-One	17.50	375	853
Business Personal	12.50	303	839
Orange Talk 15	15 (inc 15 mins free)	330	852
Orange Talk 60	25 (inc 60 mins free)	381	836
Orange Talk 200	50 (inc 200 mins free)	681	881
Orange Talk 360	75 (inc 360 mins free)	981	882
Orange Talk 540	100 (inc 540 mins free)	1,281	1,280

\* Average total cost (including calls, monthly charges, and cost of purchasing the set) in £ per year over three years (excluding VAT).  
Low user: 50 minutes a month (25 mins off-peak).  
High user: 150 minutes a month (10 mins off-peak).

Source: European Cellular Tariffs, published by The X25 Partnership.

hence the term cellular radio.

When you make a call your mobile phone transmits the conversation to a nearby receiver which routes it to the operator. The call is then routed to its destination, either another portable or into the main BT network of cables. The system works the same in reverse, with the operator's computers keeping a track on your phone as it moves from call to call.

To encourage competition, the government set up a system that shared the spoils between the network operators and middlemen, called service providers. The service providers buy air time wholesale from the operators and then sell it on to you, either directly or through a retailer. Your contract is with a service provider. Network operators are now allowed to sell air time directly too.

3. Decide where you want to make and receive calls.

Your needs could simplify your choices. Only two networks - Vodafone and Cellnet - offer a Europe-wide coverage on what's called GSM. This is a technical standard that allows you to make and receive calls in most European countries and some others, such as Australia and South Africa. The same operators are the only ones to offer near-nationwide coverage in the UK, which is important if you intend to use the phone away from the big towns and cities.

All the networks offer services in London and the south-east. Mercury One-2-One started there and is extending to other English metropolitan centres. Orange started in all the large English and Scottish cities and is extending its coverage to 90 per cent of the population by the middle of next year.

Remember that you can call anywhere in the world on any of the services, as long as you are within

their demarcated reception boundaries. Once you leave their area, the phone is useless.

If you want a mobile for security in case you should break down or get lost while driving, members of the AA can buy its Callsafe system. This is a mobile phone that can only be used to call the AA or the emergency services. It is expensive but may be worth it for the peace of mind. It costs £149.99 for the phone, £25 for a contract fee and £26.50 per quarter. The calls are free.

4. If you want privacy, go Digital.

There are two types of system, analogue (the original) and digital. Both offer high quality sound and reception when they are working well. Both suffer from bad reception. The digital service, although considered technically superior, can make you sound rather Dalek-like at times.

If you do not want eavesdroppers (remember the Princess Diana "Squidgy" calls?) then go digital because it is far more secure. Digital is essential for secret agents (although your whereabouts could be tracked) and anyone involved in an extra-marital affair.

5. Estimate how much - and when - you intend to use the phone.

The methods used to charge for air time are complex and confusing. Before you pay for calls, you have to settle a one-off connection fee (from £25-£50) and then pay a monthly standing charge (from £12.77-£100). The differences in tariffs are essentially between the "business" packages (medium monthly fee, high call charges) and packages aimed at the social caller (low monthly fee, high call charges at peak times).

There are many variations on the theme, including inducements of free calls. Mercury gives free local calls

after seven in the evening. Orange provides five different "price plans" in which it offers from 15 to 540 minutes free. Some charges are rounded up to the nearest half-minute while others, from Orange, are charged per second. It is virtually impossible for those who have never owned a mobile phone to know how much they will use it. Some users have found that the phone charges the way they work, allowing much more mobility. This makes it exceedingly difficult to choose the right tariff package, so check if there is a charge in case you want to move from one package to another on the same system.

The producers of the Financial Times newsletter Mobile Communications have computed the total cost of the various options over a three-year period. "We made some assumptions on the amount of calls made and then worked out the cost, including the price of the cheapest hand portable available on the service," says editor Neil McCartney.

"The cheapest countries for cellular telephone service are in Scandinavia but because there's a lot more competition in the UK market now, we are the fifth cheapest country in Europe. Germany, France and Spain are a lot more expensive."

European Cellular Tariffs, published by The X25 Partnership, has done some useful work comparing the costs of using the leading operators. The table published here shows the average cost per year over three years for low users and high users and does at least provide some help to those trying to get straight answers to the complicated question of costs.

6. Beware of cheap 'phones.

Advertisements for cheap phones are misleading. The chances are that the phones will be yesterday's technology but even if not, the "bargain" phone is being subsidised to attract customers for the air time. Look for the right tariff package first and then see what phones are available. Remember the phones have to conform to the technical standards of the operator.

7. Do not be seduced by sexy looks.

They have not squeezed the technology into a wristwatch yet, but hand portables have shrunk quite dramatically since the early days. Some, such as the Sony CMR 111, can be put in a pocket without breaking the stitching. But there are inevitable trade-offs between size, weight, functions and performance.

The capacity of batteries is still a problem - the smaller the phone, the smaller the battery and that means you have to carry a spare. Check too that the smaller phones are easy to use and have the power to work well when you are on the fringe of an operator's transmission boundary.

Unless you always carry a briefcase, some phones can be rather heavy to carry around in a pocket or handbag. The Swatch, for example, is 385g, the Mercury M200 is 370g and the Nokia 1011 is 470 gm. The Sony CM-R 111 is only 185g.

Which? magazine tested 19 mobile phones. Its recommendations are:  
□ Analogue: Mitsubishi MT-7, Nokia 101, People's Phone CTN 6000 and for occasional use, the Sony CM-R 333.

□ Digital: Mercury M400 and the Nokia Orange. For GSM (Europe-wide service) the Motorola Micro TAC International 5200 is recommended.

However, other phones have been launched since Which? did its tests.

8. Watch out for thieves. Mobiles are highly prized and some thieves specialise in snatching them from queuing cars at traffic lights. Make sure yours is insured. This is doubly important because you will have to buy a replacement at a non-subsidised price, or pay a penalty for cancelling your contract.

9. Read the contract carefully.

The contract with the service provider will bind you to using the service for a set time (usually a year, but it could be more). There will be penalties if you want to give it up or move to another tariff package. Make sure you know what you are signing because the consequences can be costly. Look for out-of-court clauses for bad service from the operator.

10. Watch that recall button.

Many marital miscreants have been caught out by their spouse after programming 0 as the quick-dial to their lovers. You have been warned.



## Women seize control of their cleavages

Avril Groom on how modern bras can be used to flatten and flatter

I recently met a man who claimed he could bestow a cleavage on even the most meagrely-endowed woman. He worked for a lingerie company and he was talking about bra design, which today seems to be a branch of structural engineering.

Underwear that reflects, and even flatters, your real shape is no longer enough. Now you can be twice, or alternatively half, the woman you thought you were. That well-known company slogan about "the bra for the way you are" needs rewriting. Now you are the way your bra is.

The push-me-up, pull-you-in school of bra design achieves, instantly - with Lycra and fine, flexible metal - far more natural illusions than those sought painfully and laboriously in the past with whalebone and binding.

Throughout history, women have managed to alter and enhance their shape, mostly at the dictates of fashion. The difference now is that a woman can change her shape as often as her clothes. The cleavage-enhancing, underwired, padded bra that defines the décolleté of an evening gown would look simply vulgar under a skinny cropped T-shirt. For this, all but the smallest need a minimiser which, in bra-speak, reduces the bust's projection.

The idea that a woman can change her shape implies that she has a large selection of bras, which is very good for business. Several bra companies report sales in the first half of this year up by 25 per cent over the same period last year, with sales of the type that make you look larger increasing fastest.

You might expect the reverse, as women and their

busts are getting bigger, due to the modern diet's higher protein content and, according to some theorists, the cumulative effect of the contraceptive pill taken by women whose mothers also took it.

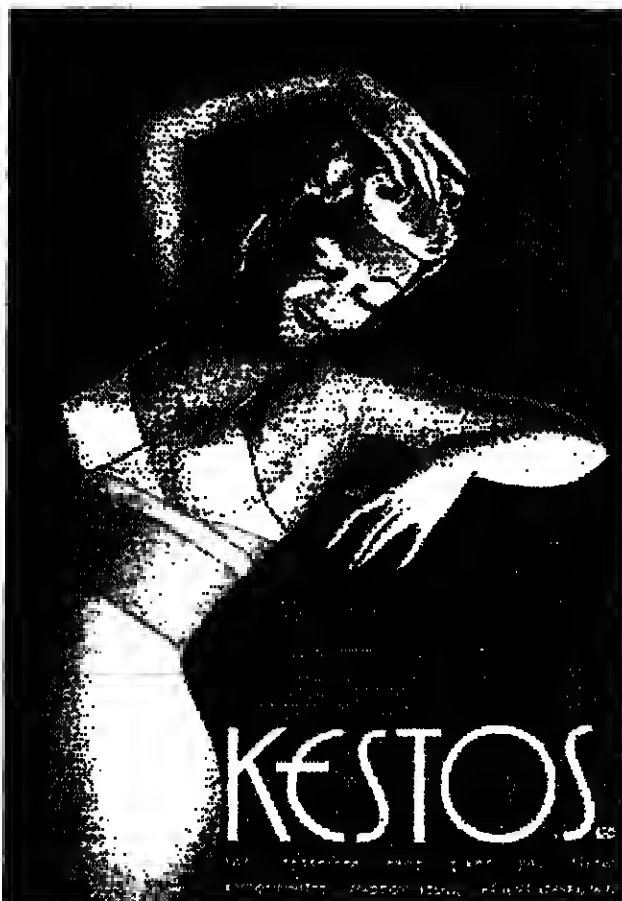
I have always regarded my unremarkable 34B figure as average and so it might have been 20 years ago. But now 36C is the norm and firms such as Berlei are producing bras with hitherto unimagined G cups - yet 30 years ago the DD cup was regarded as revolutionary.

Men are noticeably uncomplaining about this trend, which perhaps explains the boom in Wonderbras, Ultrabras et al. It seems we are following the lead of the US, where women are bigger and men are glad of it. In the race for sexual selection big breasts, to put it bluntly, still count.

Traditionally, the lingerie business itself has been dominated by men. This, quite rightly, is changing. Companies such as Gossard and Berlei now have predominantly female teams, even on the design and structure side.

Yet fashion is firmly on the men's side. After three seasons of the waif, and the fragile bias-cut layers that go with her, the full-bodied pulchre is back with a vengeance in her corset tops and hour-glass jackets. This was seen clearly on the catwalk, where it was demonstrated by hitherto string-bean supermodels who, overnight and mostly without the aid of implants, had developed swelling *embellishments*, giving credence to my bra company friend's theory of cleavages.

If they can do it, so can anybody. So I decided to test the



Miracles of engineering: modern bras can augment or minimise

bra business in two categories - minimisers under a clingy T-shirt, and augmenters under a soft, low-necked shirt. The results were varied, instructive and not always flattering.

At least one in each section really worked, though it is a clever minimiser that does not put the unwanted "extra" under your armpits.

flattering line under clingy clothes.

□ Playtex Super Look Secrets Cotton Classic. Seamless, 32-36A, 32-38B and C, £15.99 from department stores. Lifts bust up and outwards. A smooth, natural line with a slight cleavage but a bit flimsy.

□ Triumph Sport Tri-Action 3001, cotton jersey, front fastening, racing back. Sizes 32-38A, 32-44B-D, £14.50 from department stores. Flattens but points slightly downwards; a bit depressing. Very plain, good under see-through layers.

□ Berlei Cascade Minimiser, cotton/elastane, sizes 34-42, C-E, from £12.99, from department stores. A serious supporter. Spreads bust outwards but augmented rather than reduced mine.

□ Marks and Spencer Minimiser, polyamide/elastane, sizes 32-36D-E, 38C-E, 40C-DD £14. Spreads bust effectively but heavy underwire keeps underarm line smooth. Lacy finish tricky under clingy clothes.

□ Berlei Fitness Bra, nylon/cotton/elastane, sizes 32-38 B-D, £17.99 from Fenwick, New Bond Street, W1. Double-layer jersey crop top with subtle seaming, not cups. Pull-on, racing back. Very smooth outline, flattens well, but the larger bodied would need more support.

□ Hanro 1549, sizes 32A-38C, £21.50 from Fenwick; Harrods of Knightsbridge, SW1; Harvey Nichols of Knightsbridge, SW1; Dicks and Jones, Regent Street, W1; and Selfridges, Oxford Street, W1. Cotton jersey, underwired. Clever diagonal seam pushes bust outwards and underwire prevents downward turn. The greatest reduc-

tion and a flattering, youthful line.

■ Augmenters  
□ Triumph Bijou, soft lace, sizes 32-36A-C, £17.99, from large stores. Underwired, removable pads. All up front; narrows the bust in and up.  
□ Playtex Wonderbra Balconette, sizes 32-36A, 32-38B and C, £14.99 from department stores, Hennes and Top Shop branches. Underwired, removable pads. Pushes up and out. Good with a low-cut evening dress but ledge effect on upper half of bust.

□ Berlei Petite, nylon/viscose/cotton/elastane, sizes 30-36AA and B, 30-38A, £15.99 from department stores. Underwired, padded all over. Keeps natural shape but can look as if you have put on weight. An instant maternity bosom.  
□ Berlei Demi-Wire, nylon/elastane lace, sizes 32-42B-D, 32-40DD-F, from £18.99, available in October. Semi-underwired following natural shape, soft lace. Very comfortable, gives you uplift but no increase in cleavage.

□ Marks and Spencer Padded Plunge Bra, polyamide/polyester lace, sizes 32-36AA, 32-36A-B, 34-36C, £14. Padded all over. A natural outline that appears to be all your own. Extra padding supplied but ineffective.

□ Lejaby, sizes 32-38, B-C, £37.95 from Fenwick. Underwired, padded undercup. Strangely pre-formed and produces an artificial line. Overpriced.

□ Gossard Ultrabra, sizes 32-38A-C, £14.99 from Fenwick, Harrods, John Lewis and House of Fraser. Underwired, padded, removable extra padding. Instant Jessica Rabbit. Goes further, higher than any other with a surprisingly smooth outline and remains comfortable. Top marks.



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## SPORT

Golf/Derek Lawrenson

## The golden oldies

I was called the sporting success story of the 1980s, but that was nothing compared to what senior golf has achieved in the 1990s. In 1994, the US Senior tour has expanded to the point where there are no longer enough weeks in the year to cope with all the companies queuing up to endorse tournaments.

Consequently, while every other tour in the world worries about keeping hold of what it has, the seniors worry about how long they can keep sponsors on their waiting list. When it began life on December 16 1980, there were two tournaments offering total prize money of \$140,000. Today, there are 44 events worth \$25m.

"I always thought the senior tour would do well but it has gone beyond my comprehension now," said Gary Player.

This is the world that Tony Jacklin has joined and already he has touched gold, winning a tournament within five weeks of reaching 50, the age of eligibility.

On the regular tour, the players are always complaining about bad backs and bad wrists, some such ailments. On the senior tour, they are walking models of fitness, too busy making money to worry about a bad back, too tied up hitting balls on the practice ground in case the magic suddenly disappears.

The senior tour has predictably made millions for people who were not exactly short of cash anyway, golfers such as Lee Trevino, Raymond Floyd and Jack Nicklaus.

But there are some lovely stories too. Bob Murphy gave up playing on the regular tour in 1987 owing to arthritis. Murphy's hands were so swollen with the disease that it became too painful to grip a club. Now Murphy is back playing. His motivation was the senior tour. So far he has won \$1m and counting.

Then there's Jay Sigel, a name that will be familiar to those who follow amateur golf. Indeed, Sigel was America's greatest amateur since Bobby Jones, but having done all he could in that branch of the sport, he finally decided, at the age of 50, to turn professional. Sigel has not yet been a pro for 12 months but he has already won \$300,000.

Jim Albis may be the most remarkable story of all. He played for a couple of years on the regular tour in the 1960s and made precisely \$2,000. He packed up and became a

club professional.

There he stayed for 25 years before those old yearnings for tour life and travel started getting to him once more and in 1991 he packed his belongings and headed for the senior tour's qualifying school. He got his card, and enjoyed his new life so much in 1992 that he played in every event. He has been rather more successful this time, too. He has made more than \$1.5m to date.

Given the length of Albis's lay-off, perhaps it was not that extraordinary that Jacklin could rid himself so quickly of 10 years of rust.

But do all these stories indicate a lack of quality in the golf played? Far from it. I attended the recent Ford Senior Player's Championship in Detroit, where the course on

which the tournament was played measured just under 6,900 yards.

Admittedly, it was nowhere near as stringent as that upon which the US Open at Oakmont was played, however. "The fairways at Oakmont were faster than these greens," said Jack Nicklaus.

Even so, it was set up in such a way that I, an eight handicapper, would have been delighted to have gone round in anything under 88 (at Oakmont, I would have been thrilled to have broken 100). On the first day, a third of the field broke 70.

Jacklin's preparation for senior life perhaps provides an answer as to why the standard is so high. Six months before joining the tour, he gave up his handsome mansion in the Scottish Highlands to go and live in Florida - where he could practise every day, and play in some satellite tour events.

It was just as well he prepared so thoroughly because the senior tour fields are restricted to 78 players each week. When the exempt players are taken into account and the four invitation spots (which is how Jacklin has been getting in) there

are usually only about four places left and these scraps are fed to the 100 or so hungry scavengers who take part in open qualifying every Monday.

None of this explains why the senior tour is so successful.

There are a number of reasons. The first is that the tour offers not one, but two pro-ams every week, so that the sponsors can invite twice as many clients to play with a top name.

Secondly, just look at some of the names who are over 50 and still playing: Player, Nicklaus, Trevino, Floyd, Arnold Palmer, Chi Chi Rodriguez. How could any tour fail to attract sponsors and spectators when offering such riches?

Outside the professional ranks, golf is a game largely played by the over 60s, and the decision makers in the boardrooms are invariably a similar age to the players on the senior tour. They have grown up with sporting icons such as Palmer and Nicklaus.

But there is something else as well. These players know how to work a crowd.

Here is an example: on the opening day in Detroit, golf's original big three, Player, Palmer and Nicklaus, had been drawn together for the first time on the senior tour.

The par four 11th hole offered the chance to play safe down the left and have a longish approach shot, or drive riskily over a ravine to the right but have a short iron to the green.

Player took out his driver, Palmer, summing up a career, went with the driver too, but Nicklaus, again true to form, played safe.

Uncharacteristically, he pulled his long-iron tee-shot into the rough.

There was silence.

Nicklaus shook his head. "That was a darn bad shot," he said. It was too much for Player. He said: "You're right, of course, Jack, but it was a crap decision to go with the iron in the first place and it deservedly resulted in a crap shot."

Everyone started laughing. Nicklaus did too. It was something one could relate to. They may have been three superstars but they were also three golfers who were enjoying a laugh and a joke. The senior tour is the only tour where you will find that camaraderie that is so much the heart and soul of what golf is about for most people.



Old adventurer: Arnold Palmer, 85, in the rough at the British Seniors Open. Phil Legg

American Football

## 49ers make the cap fit

A new American football year opens tomorrow, but if there was a prize for the best performance during the off-season, the National Football League would have crowned its champions already: the San Francisco 49ers.

Not because the 49ers had the best pre-season record. They won three out of four games, but two teams, the Chicago Bears and Indianapolis Colts, went undefeated in exhibition games.

But because of the team management's accomplishment in adding a formidable group of talented veterans to one of the most highly-paid rosters in the sport while keeping the payroll under the limit imposed by the NFL's new salary cap.

The salary cap is the cause of the US professional baseball players' strike. Unlike their counterparts in football, baseball players are not prepared to accept a limit on their pay. The NFL players' union last year accepted a ceiling on the total each team could pay its players in return for securing free agency - which allows players to move teams after a certain period in the league.

The difference between the NFL's salary cap and the cap proposed by the baseball owners, is the flexibility of the NFL system. There is a lot of "wiggle room" under the football cap, and no one has proved more adept at wiggle than the 49ers.

At the end of last year, the team's total payroll exceeded \$40m. It seemed that they had to reduce salaries and/or shed players to fit under the \$34.5m (\$22m) cap the NFL had set for the 1994 season.

Today, however, the 49ers have all their top players from last year on long-term contracts, including stars such as quarterback Steve Young and wide receiver Jerry Rice. And they have five new players, each an established NFL star - on extended contracts. Yet the 49ers team payroll has dropped from more than \$40m to \$34.5m, just under the salary cap.

How did they do it? They started late last year by hurriedly signing several key players to lucrative "front-loaded" long-term contracts, which paid the players a lot of money for the 1993 season, and considerably less for subsequent ones.

By paying out so much money in 1993, before the cap came into effect, the 49ers left themselves considerable room to sign new players for 1994, year-one of the salary cap.

In basketball - the other sport with an existing salary cap - teams have fallen foul of the league authorities with this kind of creative accounting, but in football, the wiggle room leaves plenty of scope for creativity. As Carmen Polley, president of the 49ers, put it: "We wanted to be the hunters, not the hunted. We wanted to do what we could to manipulate the system, rather than have it control us."

After anchoring many of their best players to the team, the 49ers went hunting. They bagged several top free agents, including Super Bowl winners Ken Norton of the Dallas Cowboys and Richard Dent of the Chicago Bears, and veterans Rickey Jackson of the New Orleans Saints and Bart Oates of the New York Giants. It was no coincidence that all of the new signings were defenders, for the defence has been the chief weakness of the attack-oriented 49ers for the past few seasons.

Some of the money needed to pay the newcomers came from the release of well-paid reserve players, including Steve Bono, the back-up quarterback who so often deputised for injured stars such as Joe Montana and Steve Young. Also, the 49ers chose to hire a lot of relatively cheap "rookie" players fresh from university teams.

The result is a well-balanced team, a favourite to reach the Super Bowl in January. The only likely obstacle is the defending champions, the Cowboys, who beat the 49ers in the last two National Football Conference finals. The Cowboys, however, have lost their coach, Jimmy Johnson and several leading players including Norton.

Yet the 49ers' policy of squeezing so much expensive talent under the salary cap involves a risk. Because the 49ers have let go so many veteran reserves and replaced them with mostly untested players, a team that was once renowned for its "depth" now has little insurance if its stars get injured. And in the NFL, that is quite a gamble.

Patrick Harverson

Equestrianism/Keith Wheatley

## Jumping through flaming hoops

Whatever the weather, much of the talk at this weekend's Burghley Horse Trials will be of heat and humidity.

Most top event riders with an expectation of competing in the 1996 Olympics at Atlanta are at Burghley. So too is the equine veterinary research team whose expertise helped avoid catastrophe in the heatwave at the World Equestrian Games in the Netherlands last month.

In October, the scientists have to give advice to the International Equestrian Federation on how to conduct a safe three-day event in the near-tropical conditions of mid-summer Georgia. Opinions are polarising as to whether the whole enterprise is desirable or possible.

King William and Mary Thomson, a combination that has won Badminton and competed at the Barce-

lona Olympics, finished the WEG cross-country section with the horse on rubber legs. A heatwave pushed temperatures in The Hague to 36°C, with 90 per cent humidity. Thomson had to nurse the massive gelding, famous for his big-headedness, over the last few fences.

"He just could not cope with the humidity, like a lot of the larger horses. I had never seen him like that. He was very distressed and so was I," said Thomson, part of the gold medal-winning British team.

Although the pairing is likely to be well to the fore in the selectors' minds, the rider is adamant that the horse will not endure those condi-

tions again. "There is no way in the world I would take him to Atlanta," said Thomson.

Michael Clayton, editor of *Horse & Hound* magazine, has moved from scepticism to outright opposition over the Georgia venue.

"It is ridiculous. Every horseman knows it is too hot in Atlanta," said Clayton. "I am not a sentimentalist over horses, but the competitors are not sitting on skis or boats. These are living creatures."

He believes that the sports' governing body agreed to the demands of the International Olympic Committee for a compact, one-site Games, because of apprehension

that the IOC hierarchy wished to drop equestrianism and would use any local difficulties as a lever.

Clayton says that the best decision would be a shift of venue to temperate New England or Pennsylvania. He attended the 1993 world championships in Lexington, Kentucky, and was appalled at the effect of extreme heat and humidity on the animals.

"Some of the top horses pushed hardest at Lexington were never any good again," said Clayton.

Many, indeed most, top event horses are no longer owned by their riders. As the sport's popularity and media profile increases, the ani-

mals increase in value to such an extent that they are sold to a sponsor.

The Burghley entry list gives a classic example. The printed form shows Nick Burton (son of former England rugby international Mike Burton) as owner/rider of Bertie Blunt. A last-minute handwritten addendum gives Mark Todd of New Zealand as rider, with his new sponsor Bond International (a large UK tyre distributor) as the owner.

Japanese interests scouted the stables at Burghley last year. When Brynley Powell's promising young horse I'm Sure went well around a demanding course, he was snapped

up and flown off to Tokyo.

Corporate backers may well be unwilling to hazard their equine investment in the stifling heat of a Confederate summer.

However, scientists such as Professor Leo Jeffcott of Cambridge University's veterinary department have been researching climatic stress in relation to eventing for nearly two years. He was in the Netherlands for the WEG and says that conditions there were at the margins of safety.

"We would not want the horses to become any more tired or hotter than they were at The Hague," said Jeffcott.

Beneath a giant marquee to provide shade, the horses were "aggressively cooled," as Jeffcott's report puts it. Six tons of ice and a battery of hoses were used.

Many of the same animals will be at Burghley, wired to transmit heart and temperature functions to the vets' computers. This data, plus a recent field test in Atlanta, will provide the basis for recommendations as to how the three-day event will need to be made less physically rigorous in Atlanta. Shorter tracks, lower fences, and longer rests, are likely.

"There will be modifications but we are confident of keeping the horses safe," said Jeffcott.

"Not everyone is content. Clayton questioned the value of medal won in a 'bastardised event'."

"This is basically a winter sport," he said. "You do not run an Alpine ski competition in July or a yacht race on a dry lake."

Motoring/Stuart Marshall

## Hatchbacks rule Britain's roads

Britain's most popular type of car is a five-door hatchback - and that is official. The information comes from the Society of Motor Manufacturers and Traders, which also says that Britain's total car population grew to 23,402,347 at the end of last year - a 1.7 per cent increase on 1992 - while the total number of heavy lorries fell by 1.8 per cent to 536,459.

The society could have fooled me. An increase in the car population I can believe, if only because getting out of my drive and on to the main road takes longer, and is more hazardous, every year. But fewer lorries? There seem more of them around than ever. They block two of three motorway lanes as they creep slowly past each other on hills, where common sense dictates that overtaking should be forbidden, and they make their elephantine presence felt in country lanes and local high streets where they look like goods trains that have left the rails and taken to the tarmac.

The society's statistics reveal

that while 31.4 per cent of Britain's cars are five-door hatchbacks, three-door models (28.4 per cent) are not far behind. Almost 80 per cent of cars now have tailgates and, if you include another 1.5m estates, it really does make the hood lid look a threatened species.

Which car started the trend to tailgates? Some say it was the 1959 Austin A40, with its agreeably sharp-edged body styled by Farina of Italy. But the first ones I drove had fixed back windows, as I recall, semi-estate A40s with hinged

tailgates came a year or two later. By that time, the gawky but endearing Renault 4 had appeared, with a tailgate big enough for sofas or metal milk churns - although purists might, I suppose, argue that this was more of a van with seats and windows than a hatchback.

The Renault 16 - was any car ever more comfortable to ride in? - arguably started the proper hatchback line because it combined all the features you expected of a saloon with a versatility close to an estate car. Also making its bow in the

early 1960s was the Simca 1100, smaller than the R16 but cast in a similar mould. Where have they all gone? The simple answer is that rust-proofing was less of a priority then than it is now. While the mechanicals remained healthy, the bodies rotted. It was not until the 1970s that the hatchback became the conventional body style for small to medium cars and a bootied saloon the exception, although large-car buyers still generally opted for a boot. Saab (the first 9000s) was an exception but Mercedes-Benz, BMW and Jaguar have never

made a big hatchback.

The large Renault 25 and its successor, the Safrane, are hatchbacks as is the Citroen XM, although this has a cunning double back window. One goes up with the tailgate; another - easily removable when required - stays in place.

Ford must have wished it had something like it when it introduced the present Granada (itself on the point of being replaced). Instead of continuing to offer four-door saloons and five-door estates, it said Granada buyers could have any kind of body they liked so long as it was a hatchback.

Old Henry Ford - "Any colour you like so long as it is black" - would have approved. The Granada's styling was an unhappy compromise around the rear end. More to the point, Ford lost business from fleet managers who had formerly bought Granada saloons to ferry senior people. When the chauffeur lifted the new model's tailgate to stow the luggage, the back seat passengers objected to being exposed to winter's icy blasts.

In the end, Ford did what it should have done in the first place - produced a Granada saloon and, eventually, an estate car. Even the largest companies live and learn.

The French may disagree, but body styling has polarised. As the society's figures reveal, cars for the masses are mainly hatchbacks. Senior people choose saloons as company cars. And for carrying capacity, there is still nothing like an estate.



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Renault's 25 D-CX (pictured) five-door hatchback is the first super-charged, as distinct from turbo-charged, diesel car to reach Britain, writes Stuart Marshall.

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The power-steered 25 D-CX drives with close to a petrol car's refinement and liveliness, has anti-lock brakes, a sweet five-speed gearbox, and gives more than 40 miles a gallon (6.89 l/100km).

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## BOOKS

# Deep into the heart of Greeneland

Asked about his chances of winning the Nobel Prize, Graham Greene replied that he was looking forward to a much bigger prize: death. He thought himself "not a bad writer," but he would have liked "to be mentioned with the truly great, who all seem to belong to the 19th century."

In the years since he died in 1991, it has become clear that Greene does fit in the company of the truly great. What Dickens was for the 19th century, the only serious literary writer to enjoy a mass audience. Like Dickens, his genius was to take a popular fictional form – the thriller, and, in books from *Brighton Rock* and *The Power and the Glory* to *The Third Man* and *Monsignor Quixote*, to turn that form into a serious work without losing its widespread appeal. His finger was always on the popular pulse and, as we now look to Dickens to understand the Victorians, so Greene's themes speak for our century: angst and neuroses, a fascination with evil, intellectual and spiritual doubt, cruelty and persecution.

Nothing fixes Greene as a figure for our time better than his new role as star of that late 20th century blockbuster genre, the literary biography. In the last six weeks, three rival biographies of Greene have appeared, with a fourth due this month. The best of them, volume two of Norman Sherry's authorised *Life* (Cape £20), covering the years 1935-55, shows how biography has become today's equivalent of the Victorian triple-decker novel: long, leisurely, heavy-weight, intimate in its discussions of its hero's most raw emotions. *David Copperfield*, *Jane Eyre*, *Jude the Obscure* are all fictional biographies or autobiographies. In a post-modern age we have become too embarrassed and cynical to invent such lives, but reading about them is deeply satisfying and publishing them lucrative. Literary biography, therefore,

which dovetails fact with fiction by showing how one fed the other, has taken the place of the Victorian fictional bestseller. And just as *David Copperfield* or *Jude the Obscure* distilled Victorian dilemmas about faith and morality, so the contemporary biography focuses on subjects, like Greene, who give voice to our own passions and problems.

The new works on Greene are vastly different. Sherry's is sympathetic and full of insight. Michael Sheldon's *Graham Greene: The Man Within* (Helm £20) is critical and carping, while Anthony Mocker's *Graham Greene: Three Lives* ("Novelist! Explorer! Spy!") is ignorant and barely literate. The three books share, however, some uniquely

husband, depressive and dully middle-class because he cannot chum up with her posh friends. Sherry, by contrast, describes in bitter-sweet prose a liaison reminiscent of *Brideshead Revisited*. Greene is the shy bourgeois artist who finds his identity through Catherine, struggles between desire and Catholic sacrifice and revels in the world of private jets and pheasant for breakfast.

As a classic of English class fantasy, this is compelling when the BBC made a film on Greene last year, producer Anthony Wall said the programme was "a story about British toffs, the like of whom we'll never see again." What raises it to the level of contemporary myth is the existential torment underlying the affair.

*The ultimate chronicler of 20th century man's conscious is the subject of four new literary biographies.*  
Jackie Wullschlager reports

anglo-saxon obsessions. Class, sex, sin and the relationship between them floods over almost every page. Since Greene, born in 1904, spans our century, this offers too a panorama of a changing England. Greene's experiences illuminate key phases in English history – the Blitz, the Cold War spy ring centred on Philby, the postwar waning of aristocratic families and their homes, with which Greene was intoxicated.

The heart of these matters, for Sherry and Sheldon, is Greene's affair with Catherine Walston, the beautiful, Catholic, promiscuous wife of an English lord. She was the model for Sarah in *The End of the Affair*, and a crucial influence on work such as *The Third Man* and *The Quiet American*. In Greene's rich middle period, Sheldon recounts the affair as if in a school report, with Greene failing every test – immoral in seducing Catherine, pathetic in failing to tempt her away from her

Life "on the dangerous edge of things", the reluctance to accept love, faith, political ideologies, the desperate escapism. Sherry's Greene has the tortured inner life of his heroes, from the haunted, hunted whisky priest in *The Power and the Glory* in the 1930s to the suicide Scobie in *The Heart of the Matter* to baffled Monsignor Quixote in the 1980s.

"I had to find religion, to measure my evil against," Greene said. It is the Manichean vision, grafted onto the thriller, that gives intellectual excitement and psychological resonance to his novels. Of the great writers, he is the one for whom content and ideas are all, while form and style hardly count.

Among famous openings, compare, for example, that of *Brighton Rock* – "Hale knew, before he had been in Brighton three hours, that they meant to murder him" – with those of the two other modern classics

of adolescence, *Lolita* ("Lolita, light of my life, fire of my loins. My sin, my soul. Lolita: the tip of the tongue, taking a trip of three steps down the palate to tap, at three, on the teeth.") And *Catcher in the Rye*: ("If you really want to hear about it, the first thing you'll probably want to know is where I was born, and what my lousy childhood was like... and all that David Copperfield kind of crap.")

Unlike Nabokov and Salinger, Greene is not a consciously literary writer and his cold, flat drawing of Pinkie and Ida therefore translates easily. "A polyglot could read Mr Greene," wrote Evelyn Waugh, "lay him aside, retain a sharp memory of all he said and yet... entirely forget what tongue he was using."

Greene believed the "splinter of ice" in his heart gave him the necessary novelist's detachment. But reading Sherry's biography, it seems as if the reverse may have been true – that Greene wrote to strip away his own coldness, to make-believe feelings he could never wholly embrace. His glacial quality, both in life – Sheldon exults in his unsympathetic responses during the Blitz, and in his frosty relationships – and in fiction, puts some readers off. Yet it is a feature, along with the almost deliberate absence of style, which makes his novels quintessentially of our post-modern, anything-goes, no-commitment times.

I suspect that Sheldon has raised himself to a pitch of antagonism because in Greene we all see images of ourselves and our times which we do not care for, and that Sherry, who has devoted 20 years to retracing Greene's steps, has identified with Greene in an equally intense, but by contrast a positive, way. As a minute by minute explanation of William Golding's tribute, that Greene "will be read and remembered as the ultimate chronicler of 20th century man's consciousness and anxiety," Sherry's book is unputdownable.



Graham Greene: as Dickens was for the 19th century, Greene is the only serious literary writer to enjoy a mass audience in the 20th

## Faith in freedom

David Goodhart on a hymn of praise to civil society

The existence of a flourishing civil society is what distinguishes the west from post-Marxist or Islamic societies. It is also responsible for most of what we hold dear, from economic growth to political liberty. Yet we have little idea how it came about and even find it difficult to define. Ernest Gellner's idiosyncratic hymn of praise to civil society reflects his recent immersion in the intellectual life of the Czech Republic, where the recreation of civil society was one of the slogans of the velvet revolution. Looking from Prague the civil society that we take for granted becomes a miracle, and one that is not easy to manufacture in a broken-down monolith like Russia.

Civil society is not just the social residue left when the state is subtracted. It is altogether more attractive and subtle, requiring both a central coercive governing authority and economic pluralism. Thus armed it can sprout a cluster of institutions strong enough to prevent tyranny but which are entered and left freely. "You can join (say) the Labour Party without slaughtering a sheep... and you can leave it without incurring the death penalty for apostasy". It is civil society which has led the march to a prosperous, secular, world, but its main rival – the theocracy or ideology where a society is defined by its faith – has held on in large parts of the globe. Gellner describes the complex social chemistry which has produced civil society in one place but not in another. Much of the argument is wise and original, although the place of the individual and the "private" in the Judaeo-Christian tradition seems underplayed.

But this is not an essay for tidy minds. Gellner is one of the last of the great central European polymath intellectuals. He writes with staggering erudition and does not bother with hand-rails as the essay twists and turns through world history and global politics. Why is Islam growing ever stronger while Marxism has collapsed? Gellner finds the

answer in the shift from the low (folkish) to the high form of Islam among the masses in Moslem countries. "The essence of nationalism in the west is that a high – literacy-linked – culture becomes the pervasive, membership-defining culture of the total society: the same has happened to Islam, but it expresses itself in fundamentalism rather than nationalism, though the two are sometimes conflated".

In fundamentalist states like Iran there is little civil society and not much pressure for more. Yet it is not clear that

Islam and civil society are incompatible: Malaysia, Turkey and pre-civil war Bosnia have all combined them. Nor is it clear that the desire of many post-Marxist societies to establish, or re-establish, civil society is sufficient. "The bourgeoisie which is being hegged to crawl out from under the stones of the Communist monolith does not look promising. Where are the Forsterbeks and the Buddenbrooks?", he concludes, reluctantly, that China might have made the right choice in putting economic reform before political reform.

Conversely he is optimistic about the prospects for world government and expresses none of the fashionable anxieties about the withering of civil society and the collapse of community in the west.

The parting note is equivocal. Reviewing East Asia's combination of economic success and almost feudal hierarchy he concludes: "Whether we like it or not, the deadly angel who spells death to economic inefficiency is not always at the service of liberty. He had once rendered liberty some service, but does not seem permanently at her command. This may sadden those of us who are liberals and were pleased at being given such a potent ally – but focus had better be faced".

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## BOOKS

## An appalled fascination with the Welsh

J.D.F. Jones finds Kingsley Amis on top form in his new novel

I have it on good authority that when, some time ago, Sir Kingsley Amis was approached for his support for the "Swansea - City of Literature" campaign, the distinguished man of letters replied, "— off!" This may seem an understandable reaction from someone who once spent 12 years as a junior lecturer in that town, although in his *Memoirs* he wrote sentimentally of the place.

It is a reminder that Amis has a thing about South Wales and the Welsh — nothing so strong as love-hate, more an appalled fascination, an exasperated affection. Certainly the principality (a word he must surely detest) has served him well in his fiction, never better than in the Booker-winning *The Old Devils* which, with its TV version, brought him less than a welcome west of the Valleys.

South Wales provides only one of the minor locations in his new novel, *You Can't Do Both*, but his main characters are all Welsh at one remove and are always conscious of it — the "hero" Robin, the girl friend Nancy, and their four parents.

The blurb cannot resist telling us that *You Can't Do Both* will be seen by some (not this reader) as "a precursor to *Lucky Jim*", presumably on the grounds that Robin Davies, whom we follow from teens to parenthood, is of the same generation and the same profession as Jim Dixon. Come to think of it, just like

Sir Kingsley! — which must be why the blurb also clumpily declares that this novel is "strongly autobiographical".

Can that be true, and does it matter? Robin Davies is brought up in South London, enjoys his grammar school, visits family in Wales, goes up to Oxford, serves unheroically in the war, becomes a red-brick don, makes his Nancy pregnant, snatches her back from an abortionist, marries her, and continues with his selfish ways until...

Let's allow that Amis may be drawing more heavily than is usual on his recollections of adolescence

and young manhood: there are plenty of references which sound echoes from the *Memoirs* (which was not an autobiography but a sequence of sketches), and the early chapters are no doubt based on his childhood in Norbury, never mind the later scenes of Oxford colleges, Cardiff abortionists and registry office weddings.

What matters is that Amis is on

masterly form, with proof on every page that he can write the most brilliantly accurate dialogue in the trade. And of course, he can be very funny indeed, though it is often the humour of embarrassment. There are two magnificently awful fathers.

Robin Davies is another version of the favourite character — the plausible, intelligent, sex-obsessed, self-aware young man — whom Amis would (and does) call a shit (yes, in the tradition of Jim Dixon, and he makes funny faces too). He knows that "he was almost an ideal non-husband for Nancy, being self-

ish, self-indulgent, lazy, arrogant and above all inextinguishably promiscuous by nature", about marriage he feels "apathy relieved with horror", yet he is caught in an insoluble dilemma and marries the sweet and not-quite-convincing Nancy. I quote:

"A few minutes later, Nancy said, 'I've remembered something else my Dad said about you. No, it was my Mum. No, it was my Dad. I know it doesn't matter which really. Or at all. Anyway, he said you were the kind of man who thinks only of his own pleasure'."

"This Robin heard with definite

indignation. He said, 'I'd like to know how he makes that out. I must say, if that's all I was interested in, what the hell does he think I'm doing getting married to you? Jesus Christ.' Here is the genuine Amis: colloquial, fast, witty, acid, and conveying character.

But there is a more serious harden to this morality tale, growing out of the comic routines which Amis uses to reveal the curiously loving relationship between father and son.

Robin's father turns out to be the shadow-side of the Welsh preachers he has left behind, just as it is Nancy's father who spots that Robin is "the kind of Welshman who gets Welsh people a bad name. Very charming on the surface and treacherous underneath."

YOU CAN'T DO BOTH  
by Kingsley Amis  
Hutchinson £15.99, 306 pages

## Extraordinary life of the last great courtesan

No stones are left unturned here: and what stones! says Jurek Martin

It is necessary to start with a confession, at which book reviewers are often negligent.

About two years ago I once had a date with Pamela Harriman. It was not that sort of assignation. Our first meeting was merely the result of a typical Washington dinner circumstance — i.e. my wife was still in London, my hosts needed an extra man to complement her presence and that was that. The discussion was mostly politics and Mrs Harriman made a forceful, articulate case for the merits of one Bill Clinton (she liked Al Gore, too). I had heard she would be charming company and she certainly was, to the extent that I recall floating home in the daze of her smile.



Pamela Harriman in 1993

A year or so later it came as no surprise when Clinton, now president, nominated her to be ambassador to France. After all, she had been, as much as anyone, responsible for the financial revitalisation of a demoralised Democratic Party in the 1980s and had then been the Clintons' entrée to the rarified reaches of Washington power, social and political.

In any case, embassies, big and small, are often offered to political supporters regardless of nominal qualifications. Over in London, the just departed Ray Seitz was the first career diplomat ever to represent the US at the Court of St James. She was confirmed by the Senate without demur and, by all accounts, is now doing a first class professional job in Paris.

But her road from a stately home in Minterne Magna in Dorset, the daughter of an unremarkable, reserved conservative peer, to sole possession in her own right of the grand residence on the Faubourg St Honoré is surely one of the most remarkable ever travelled by a single human of

either sex this century. Christopher Ogden's book, even if written with less verve and style than its subject has always possessed, has the wonderful virtue of leaving virtually no stones unturned; and what stones.

This was to have been a collaborative venture between Mrs Harriman and Mr Ogden. According to the author, she

LIFE OF THE PARTY:  
THE BIOGRAPHY OF  
PAMELA DIGBY  
CHURCHILL  
HAYWARD  
HARRIMAN  
by Christopher Ogden  
Little, Brown \$24.95, 504 pages

withdrew after a publishing house had made an advance offer of such magnitude that he told her that to justify it there could be no dissembling. She balked, but he had 40 hours of frank interviews and lots of other material besides under his belt, over which she had no claim. Her lawyers tried to stop him but he persisted.

The end product may not be kind to Pamela Digby Churchill Hayward Harriman, once described by her second hus-

band as the "last great courtesan of the century." But it is very hard not to admire what she has accomplished and even, for those disinclined to make moral judgments, how she did it.

Consider, first, the men in her life. She wed three of them — Randolph Churchill, only son of Winston; Leland Hayward, the Broadway impresario; and finally Averell Harriman, 30 years after a first torrid wartime affair with the US statesman while still nominally married to the lecherous, drunken Randolph.

Then consider some of the men she bedded in a blitzed London where living for the moment, not the morrow, was often the rule of the game: Ed Murray, the legendary US wartime broadcaster from London, who, in the end, would never leave his wife; probably Bill Paley of CBS; two flying commanders, "Peter" Portal of the RAF and Fred Anderson of the US Air Force; and "Jock" Whitney, also later to be US ambassador.

For a dozen years after the war, in postwar Paris and on Mediterranean villas and yachts there was the Aly Kahn, Gianni Agnelli and Elle de Rothschild and, possibly, Stavros Niarchos. In the US, after Hayward's death, it looks as though there was, briefly, Frank Sinatra. Though opportunities presented themselves there was never John Kennedy.

She lived through and in extraordinary times. Her relationships with Harriman and Murray made her, when barely out of her teens, a catalyst in the ever closer Anglo-American relationship before Pearl Harbour. At least this is the role that Beaverbrook and Harry Hopkins, FDR's right hand, encouraged her to play and one to which Churchill

himself had no objection, since it suited his purposes, he was fond of her and knew only too well Randolph's awful shortcomings. She was in regular attendance at the prime minister's table. When she left for Paris last year, she read from a letter sent to her by Charles de Gaulle after one such occasion.

At the other end of the scale of importance, she learned the hard way that years of skilful, attentive service to the likes of Agnelli's jet set could bring a luxurious lifestyle and baubles beyond number (and she acquired superb but expensive taste) but never emotional or financial security. She was, simply, too independent and, lack of formal education notwithstanding, too intelligent to be the sort of woman they would marry or desert a wife for. When Rothschild ditched her, she saw the limits of European glamour — she already had fallen out of love with her native England — and fled to the US.

There is a lot about the nasty Pamela in this book. Mr Ogden tells in excruciating detail of her neglect of young Winston (The Child), her animosity to the Hayward children (already recounted in Brooke Hayward's 1977 memoir, *Haywire*), her determination to eliminate all evidence of Maria Harriman's long marriage to Averell, her manipulation of the old statesman in his dotage. No wonder she withdrew her cooperation.

But her widow's years have been good to her bank account, to her looks and to her reputation, nothing more than the approval and affection of tough political cookies like Bob Strauss and, before his fall, Clark Clifford. She is now free to wheel, deal, think and exercise authority. Few of the great courtesans of history ever ended in such glory.

## The TATLER

Vol. CXXVII No. 1823 London, June 22, 1994



Harriman when young: wife of Randolph Churchill, Leland Hayward and Averell Harriman; mistress of many; and now US ambassador to France

## The cultural spoils of war

Art and war usually lie at the opposite ends of human experience, although they meet sometimes in literature. But the fine arts presuppose peace: the opportunity for the creation of painting and sculpture, and the repose needed for their enjoyment, are fruits of tranquillity.

What, then, when art and war enter a different relationship, when destructive, all-embracing modern war threatens to incinerate art galleries, demolish cathedrals and museums, reduce statues to rubble, annihilate in seconds the rich distillations of culture which have formed over centuries? It is a 20th-century phenomenon that when great powers set upon each other, everything is at risk, our lives and material treasures most of all.

One of the least known facets of the second world war is the fate suffered by European art. In a book of brilliance Lynne Nicholas relates the period's history from the novel perspective of what happened to Europe's material culture under the Nazis. She tells the tale with absorbing narrative skill, making an extraordinary achievement of scholarship read like a thriller.

Hitler and Goering were fanatical art collectors. Whereas the latter was fairly catholic in his tastes, the former did not have tastes — he just knew what he liked and disliked. He liked 19th-century German paintings, and he disliked "degenerate art", which meant Impressionism, Expressionism, Cubism — and anything that looked distorted or "unfinished".

Another difference between Hitler and Goering was that whereas the latter collected for himself, crowding his vast and vulgar palaces, Goering had every sort of art. Hitler had imperial ambitions. He wished to turn his Austrian hometown Linz into one of four great cultural centres of the Reich, and the best art plundered from Jews and conquered neighbouring countries was destined to hang there in a magnificent public art gallery he planned for the city. By the end of the war the Linz gallery had accumulated 8,000 pictures, nearly twice the holding built up over a much longer period at Amsterdam's Rijksmuseum.

But the Linz plan was merely one corner of a vast displacement of art around Europe during Hitler's 12 years, caused by many factors. The Nazis sold "degenerate" art abroad to earn foreign currency. They looted art from Jews and from occupied territories. The experience of the Prado collection during Spain's Civil War persuaded curators everywhere in Europe, including Britain, to make plans for safeguarding works of art against air attack; and as soon as hostilities impended, tens of thousands of paintings, statues, objets d'art, rare books and manuscripts were transported into the cellars of castles beyond the Loire, quarries in Wales, and storerooms of monasteries in remote corners of the Italian countryside.

With their usual thoroughness the German occupying administrations in Poland, Czechoslovakia, Holland and France — after some resistance, in this last case, from the military government in occupied Paris — appropriated vast stores of art. Guises of legitimacy were devised: any German art later than 1500 AD was "returned" to the Father-

land on the grounds that it had been stolen in earlier wars. Jewish-owned art was simply confiscated. Public art collections were "safeguarded", an official euphemism for theft.

When the Allies invaded first Italy and then Normandy, they took with them a desperately understaffed group of men detailed to protect the cultural treasures that would be encountered in battle areas. This heroic group managed much with their slender resources. Their greatest triumph, arguably, was in preventing the US from appropriating works of art from Germany by way of war reparations. A batch of 200 pictures was shipped from the American zone in Germany to Washington where it might have formed part of a handsome covering for the National Gallery's then under-occupied wall spaces. But there was a vociferous protest from a group of courageous American "Monuments" officers based in Germany, and in the resulting controversy the US returned the works after they had been displayed to huge crowds at galleries in various cities.

THE RAPE OF EUROPE  
by Lynne H. Nicholas  
Macmillan £20, 493 pages

Faced by such a mass of primary material — not to mention all the secondary and related sources that have mushroomed — an overview of the writer, the self-destructive drives that accompanied her endless literary creativity, her ironical exposure of the injustices perpetrated upon women, is surely much to be welcomed. King has avoided overkill and organised his book judiciously. He uncovers the autobiographical elements in the works while integrating his subject's development as an artist with the many intense relations she had with other people.

For this, and for their work in rescuing art at the close of the war, the Allies' Monuments men turn out to be the heroes of Nicholas's tale. It is a tale without an ending, because many works are still missing, and some great achievements in material culture were destroyed, and can never be replaced. And that, in the end, is the real danger in what happens when art and war mix.

A.C. Grayling

## More words on Woolf

But Anthony Curtis finds that this overview avoids overkill

It may not seem like it to those readers suffering from Bloomshury bulimia, but as James King, professor of English at McMaster University, Ontario, is at pains to point out, this is the first full-scale biography of Virginia Woolf since the one by Quentin Bell in 1972.

The years that followed Bell's sparsely written life of his aunt saw the publication of the five volumes of her diaries and the six volumes of her letters. Then Andrew McNeillie began to edit a complete edition of the essays of Virginia Woolf (including all her scattered book-reviews, many of which were originally anonymous). With the appearance recently of Volume 4 (The Hogarth Press, £35.00) this edition has reached the year 1923. Two more volumes will take it up to Woolf's death in 1941.

Thus the millions of words she wrote both privately and professionally during her tragically curtailed lifetime are now all in the public domain. Even the laconic diary she kept at Asheham in Sussex in 1917-18 before the move to Rodmell, hitherto only partially printed in Volume 1 of the diaries, is now available in full in the current number of *The Charleston Magazine* (Issue 9, available from Charleston Farmhouse, Pirle, Lewes, BN8 6LL at £2.95).

Faced by such a mass of primary material — not to mention all the secondary and related sources that have mushroomed — an overview of the writer, the self-destructive drives that accompanied her endless literary creativity, her ironical exposure of the injustices perpetrated upon women, is surely much to be welcomed. King has avoided overkill and organised his book judiciously. He uncovers the autobiographical elements in the works while integrating his subject's development as an artist with the many intense relations she had with other people.

These relations form a set of concentric circles — first the family ones including female cousins like Madge Vaughan and older women like Violet Dickinson, to whom as a girl Virginia was very close. Then the men, her brother Thoby's Cambridge contemporaries who became Bloomshury, including Lytton Strachey and Leonard Woolf. Finally, a wider circle of writers and artists — like Katherine Mansfield, Vita Sackville-West, T.S. Eliot, Hugh Walpole who were not part of Bloomshury

VIRGINIA WOOLF  
by James King  
Harcourt Hamilton £25, 699 pages

but whom she came to know intimately as her fame spread. King is a sensitive scholar who leads us patiently through a richly varied life with fresh insights to offer about episodes familiar from earlier accounts. The least judgmental of biographers, he cannot avoid presenting Virginia's half-brothers, George and Gerald Duckworth, as the villains of this Cinderella-like story. We have her word — in papers she wrote and read to the Memoir Club, a small private society within Bloomshury — that she was abused sexually by both of them; by Gerald when she was six who fondled her and by George, who tried to rape her in her bedroom after a dance. The precise extent of the abuse remains obscure. One

should remember that Woolf was capable of fantasising — as in one spectacular instance after Thoby's death: she pretended to Violet that he was still alive sending her details of the improvement in his condition. But even without the activities of the half-brothers Duckworth (Gerald was to become the publisher of her first novel) she suffered a series of bereavements when she was growing up that were in themselves more than enough to de-stabilise her finely poised mind.

Her mother Julia's death in 1885 at the age of 49 was followed two years later by that of her half-sister Stella, who had assumed the maternal role in the family. Virginia was 15. Her tyrannical but lovable father Leslie Stephen died in 1904 when she was 22; her brother Thoby died aged 36 in 1906; and her nephew Julian Bell was killed in the Spanish Civil War.

Her recovery from her breakdowns, to the point where she could write her novels and reviews and even re-create the process of losing control of reality in the character of Septimus Warren Smith, was a minor miracle. Though innately anti-Semitic she found her personal salvation through marrying Leonard Woolf, a Jew, who gave up a very un-Jewish kind of career where he was rising meteorically up the administrative ladder. He

became instead a writer and a devoted husband. Her lesbian tendency was already apparent and marriage did not eliminate it. Marital sex was another of Leonard's sacrifices.

The marriage survived an endless series of upheavals, including Virginia's intense sense of rivalry with other women authors, notably Katherine Mansfield, and with her sister Vanessa with whose husband, Clive Bell, she flirted outrageously, precipitating Vanessa's lifelong passion for the homosexual painter Duncan Grant.

When Virginia was 43 she entered upon her passionate friendship with Vita. This did not become a long, full-blooded affair, like those Vita had with Hilda Matheson and Gwen St Aubyn. According to King they only slept together twice but afterwards remained firm friends. Orlando was as much a requiem as a celebration.

The composer Ethel Smyth, another attachment, sends a breath of irreverent fresh air through this hothouse informing Virginia that she hated everything Bloomshury stood for. VW's ups-and-downs in her relations with all her friends were mirrored in her attitude to her work. She saw-sawed bewilderingly between exaltation and utter despair and was over-sensitive to reviews and verbal criticism.

After King's thorough biography, which inevitably concludes with her suicide in 1941 as the threat of Nazi invasion loomed, we will not need another life of Virginia Woolf for some time to come.

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The Baron and Baroness Thyssen-Bornemisza, who frequently feature in the pages of *Holst*, the Spanish celebrity magazine

## Saving Grace: patience, passion and the baron

Annalena McAfee meets the collector and benefactor Baron Thyssen-Bornemisza

Baron Hans Heinrich Thyssen-Bornemisza is relishing the role of saviour of British heritage. "My wife and I love Britain," he says, nodding indulgently at his fifth wife, Carmen "Tia", a former Miss Spain. "We were married there - in Moreton-in-the-Marsh." They liked it so much, in fact, that they took a little of it with them when they left - Constable's "The Lock" (1904) and Holbein's Portrait of Henry VIII (a snip at £10,000).

The baron's donation of the final £200,000 to keep Canova's Three Graces in Britain is being greeted with whoops of joy in some museum and gallery circles. But there is, as those used to dealing with the wily billionaire will have anticipated, a catch to the baron's offer. "I would like it to come to Madrid, maybe for six months, maybe a year, to be a centrepiece of an exhibition we are holding at the Villahermosa. Only 200 yards from the Prado, the Villahermosa palace houses the El Greco Thyssen collection, said to rival that of Queen Elizabeth II in range, if not quite in value. Tim Clifford, director of National Galleries of Scotland, seems undaunted by the prospect of parting so soon with the prize he has only just secured. "Obviously, we would smile on this loan," says Mr Clifford. "We're all absolutely thrilled."

Others in the UK heritage lobby, still smarting from the baron's rejection of a £100m government inducement in 1988

to bring his collection to Britain, will be more sceptical. Baron Thyssen's passion about art - "It is universal, it is impossible to have a disagreeable conversation about it. It should be shared by everyone" - is matched by the hard-headed pragmatism that befits the retired head of an industry spanning plastics, car parts, container industries and shipping.

He clearly enjoyed giving the run-

In the event, Spain won the prize, largely thanks to the royalties and powers of persuasion of the baroness, the former wife of Hollywood star actor Lex Barker. The collection, ranging from Old Masters of the early fourteenth and fifteenth century to Picasso, Goya, Mondrian, Bacon, Hopper and the German Expressionists, was to be loaned to the Spanish government for 10 years, split between Villahermosa

collection, which forms the Old Master nucleus of the 800 paintings on show in Madrid and Barcelona. This original collection was, against his father's wishes, dispersed after his death and the present baron spent years trying to buy it back - pursuing a Fra Angelico Madonna, taken by his sister Margit in 1948, for 40 years.

Collecting, he says, is like falling in love. "Only unlike women, the pictures can't talk back." He confesses to using an unorthodox method before pursuing art deals. He plays the solo card game patience "and if I don't have to cheat too much to win, I go ahead."

The future of the collection has been recently upmost in Baron Thyssen-Bornemisza's mind. Only two months ago, he was lying near to death in a Paris hospital after suffering a stroke while undergoing surgery. The baroness, a vivacious woman who frequently graces the pages of the Spanish celebrity magazine *Holst*, attributes his recovery to the intervention of the Virgin of the Miraculous Medal.

Before long the baron was stirring in his hospital bed, leading through a saleroom catalogue and authorising his wife to put in (successful) bids for a Monet and a Picasso. His intervention saved the Three Graces is a further sign of his full recovery. "And," he confesses, "I didn't have to cheat at patience at all when I played for the Graces. The cards kept coming up. I kept winning."

tainly been more expansive and searching readings of Bruckner's Third Symphony. Salonen's relaxed account, somewhat lacking in the customary Teutonic gravitas and spiritual fervour was, nonetheless, projected with blazing certainty, as was an immaculately turned Sibelius Second Symphony. In both cases there was scope for more subtlety and more expressiveness, though perhaps that may be too much to expect from an orchestra whose new home, scheduled for completion in 1997, is to be called The Walt Disney Concert Hall.

Antony Bye

Sponsored by First Interstate Bank, in celebration of its 50th anniversary with Standard Chartered Bank.

Mrs Thatcher tried her best... I later heard that she said I was the only one who did not give in to her - though I don't think I was the only one

around in to the heads of state and royalty as they queued to woo him and his collection. "Mmmm," he says reflectively. "That was a very nice period." Prince Charles came to put the case for Britain and even prime minister Margaret Thatcher got swept along in the excitement, inviting the baron to Number 10 to press Britain's suit. "Yes, she tried her best," he says. "We sat on the same sofa and she talked for ten minutes. Then she suddenly said 'I shouldn't talk so much. You should talk.' I later heard that she thought I was formidable - that I was the only one who didn't give in to her, though I don't think I was the only one."

and Monaster de Pedralbes, a 14th century convent in Barcelona. Last year, however, the baron signed it over permanently, maintaining a key interest and a core collection which he distributes between his five homes.

Some of the baron's five children had initially resisted the hand-over of the collection. "There were a lot of conditions to get all my sons and daughters to consent. We had a pre-inheritance discussion and they exchanged pictures for money and nuptials. If I die, there will be no discussion about it. Everything has been divided up."

The family wrangle has uncomfortable echoes of the fate of his father's

## LA at the Proms

any of their playing are second to none, and were palpably evident during the orchestra's two visits to the Proms last Tuesday and Thursday.

Much of the credit must go to Esa-Pekka Salonen, who was appointed the orchestra's musical director in 1992. An outstanding musician, a gifted composer as well as a dynamic conductor, one can sense the guiding hands of someone who knows music from the inside.

The choice of a work tailor made for them to begin Tuesday's concert, Lutoslawski's Fourth Symphony, was particularly appropriate - and also poignant. Lutoslawski, who

died last February, himself conducted the British premiere of this symphony at last year's Proms (it had been premiered in Los Angeles the February before). The beauty of its many lyrical passages is self-evident and its powerful climaxes are visceral excitement. But certain stiffness characterises its more aggressive material, and the sudden upbeat ending seems a gratuitous afterthought. Nonetheless, Lutoslawski's fusion of an uncompromisingly contemporary musical language with genuine accessibility remains one of the most consistent triumphs of post-war music.

Salonen's involvement with

the nuts and bolts of composition is clearly a potent factor, too, in his attitude to the standard repertoire. His firm command of overall structure imparts his interpretations with beguiling logic as well as authority, traits amply demonstrated in a fluent, poised reading of Mozart's D-Minor Piano Concerto, K.468, with Emanuel Ax an eloquent and stylish soloist, and a tant, often ecstatic account of Hindemith's unjustly neglected symphony sometimes ponderous *Symphonic Motets for Mahler*.

Inevitably, the greatest tests for an orchestra and conductor lie in the major symphonic repertoire. There have cer-

## Rossini's 'Magpie' revived

British Youth Opera, whose eighth season opened at Sadler's Wells this week, is a Good Cause. In a world where young singers need all the practical experience they can get, BYO plays a vital role.

With both valuable talent to nurture and a precarious budget to balance the company's stakes are high, and it can ill afford the errors of judgment that marred one of its new productions: the contrasting fortunes of *The Thieving Magpie*, a heartwarming success, and the lamentable *Yongyong Magpie* will, one hopes, have been instructive. The former was everything it should have been, and provided Thursday's audience the chance to hear a Rossini masterpiece not staged in London for over a decade.

The *Magpie* is a difficult work and perhaps BYO's most ambitious project yet. Its sardonic genre, balancing humour and pathos, puts pitfalls in the way of producers, but here Jamie Hayes traces the plot - which hinges on a sinister miscarriage of justice - from light to darkness and back with a sure hand. The young cast is given strong direction; the minor characters illuminated and crowd scenes are effective, especially the march to the scaffold that fills the raked stage. The show is at once lively - the eponymous bird being taken by a dancer - and serious. Rauri Murchison's designs have colourful flair.

The BYO ensembles distinguished itself by getting virtually every word of Jeremy Sams's excellent translation

across. Rosemund Cole stood out for her brightly sung Ninetta, a performance that seems to promise an exciting future. Mark Milhofer disclosed a mellifluous high tenor as Glanetto, and Matthew Hargreaves a well articulated bass as the lecherous Mayor. Stephen Allen and Joanna Edwards as Glanetto's parents Fabrizio and Lucia, Benjamin Bland (Fernando), Heather Shipp (Pippo), and Colin Judson (Isacco) all deserve mention. The company's music director, Timothy Dean, conducted with zest, judging tempos admirably.

The contrast with the previous evening's Tchaikovsky, ruined by sloppy orchestral playing from the same band and wayward singing from the same chorus, could not have

been greater. Mark Shanahan's conducting was fast and unfeeling. The production by Wilfred Judd was under-rehearsed and under-directed. The young singers desperately needed better guidance, but three in particular survived to emerge with credit: the Swedish soprano Linda Tuvas was a striking Tatiana, Gerry Magee a dark-voiced Onegina, and Rachel Lambert a strong Filpjevna with a well-focused mezzo. The show as a whole, however, is probably best wiped from the BYO annals.

John Allison

Further performances at Sadler's Wells on Saturday and September 14, 15; and at the Edinburgh Festival Theatre from September 7-10.

#Sultan

## The Edinburgh Festival/Antony Thornecroft Profitably challenged

Brian McMaster has pulled it off. He planned a challenging programme for the 1994 Edinburgh Festival - a seven and a half hour *Orestia* in Russian; three and a half hours of *Antony and Cleopatra* in German without an interval, and more - yet is contemplating a 30 per cent increase in ticket sales and record box-office revenue of £1.8m.

The good financial result, which means a minimal loss at the worst, owes little to the foreign drama. It was the well received music and dance which saw the festival home. The bias towards Beethoven has enabled the Usher Hall to be 81 per cent full; the Queen's Hall, 84 per cent full. The American ballet companies were a roaring success, at least critically, and Mark Morris is already committed to bringing his dancers back in 1995.

In contrast the *Orestia* sold 2,000 out of 3,700 seats, but McMaster was delighted. "We should programme difficult things, special festival events. If we are doing our job well, drama will always be controversial. I will be intellectually rigorous again next year. Only if we had failed would I have been forced to think about more popular works."

For a festival with 150 performances, there were remarkably few crises. The NDR Symphony Orchestra of Hamburg cancelled one performance and Franz Welsch M&M and two sopranos belatedly ducked out of Schumann's rarely-played

Faust, which caused a few artistic and financial headaches as substitutes were rallied. But McMaster can credibly claim: "I've had the most wonderful three weeks."

The major disappointments were a new work by Robert Lepage *The Seven Streams of the River Ota* and the static *Torquato Tasso*, but the rest of the programme found at least some fanatical supporters. McMaster is happiest at the

Well received music and dance saw the festival home financially

way the Festival has nourished artists, most obviously Peter Stein and Mark Morris but also the pianist Richard Goode, who sold 50 per cent of the Queen's Hall two years ago; 50 per cent last year, and has queues around the block this time for his Beethoven programmes.

Next year will bring a major opera company to the Festival Theatre and probably another visit from Peter Stein. Much still needs to be planned, but with funding apparently secure, McMaster can concentrate on his next ambition - finding a proper HQ for the Festival.

On the Fringe it was not quite so simple. Here drama was strong and one production, Tom Courtney's one-man show *Moscow Stations* is being

fought over by the Riverside Studios, the West End and New York - but stand-up comedy is losing its appeal and no comic alternative has yet emerged. Some venues, especially the smartened-up Pleasance reported ticket sales up by over 20 per cent while the biggest Fringe venue, The Assembly Rooms, was 5 per cent down. Director Bill Burdett-Coutts blamed the rail strike. Overall the Fringe office sold around £1m worth of tickets, about the same as last year. New director, Hilary Strong, had a quiet initiation, with no scandals. She plans to grade venues in terms of facilities and to try to open more ticket offices around town to make customer access to the 1,300-odd fringe productions easier next year.

There is an Edinburgh standoff between McMaster and the city's other cultural heavyweight, Timothy Clifford, director of the National Galleries of Scotland. McMaster wants total control of the Festival and refuses to accept Clifford's ambitiously-planned art exhibitions in the official programme.

Clifford is carrying on regardless - next year's big one will be devoted to Scottish art. But as the Festival ends today, Clifford is the happiest man in Edinburgh. He could confirm that Baron Thyssen was giving the £800,000 needed to keep the Three Graces in the UK. They will make their Edinburgh debut in the National Gallery next August.

## Stand-ups lose out

The Edinburgh Fringe has sent an unequivocal signal to the funny-bone of the nation - the day of the stand-up comedian is over, writes Antony Thornecroft. No more will audiences accept that rambling monologues about the contents of a bathroom cabinet are necessarily hilarious. Resistance is mounting to comedians who insistively question the sexual habits of people whose only crime is that they have paid to see a show.

Of course attractive personalities, competent entertainers and imaginative jokers will survive. But the era of unsuccessful actors who embraced stand-up because it enabled them to show off in public has passed.

The death knell came from the Perrier Award for the best comedy act on the Fringe. Five stand-ups, including the surrealistically original Harry Hill, were knocked down and the winner went to a pair of Australians whose comic roots stretched down to music-hall and beyond.

Lano and Woodley have a little of Morecambe and Wise in their cosy domesticity; more of Dean Martin and Jerry Lewis in John Cane's aggressive good-looking dominance and Frank Wood's screwball innocent passiveness; and whole lashings of the silent movies.

But Lano and Woodley won the Perrier because they were not stand-ups. Scott Capurro was voted Most Promising Newcomer because there were just so many gay American comedians on the Fringe this year. Capurro describes himself precisely as a cross between Karen Carpenter and Harry Hamlin. He begins perched on a stool, all camp confidence - "Let's get the big question out of the way - are you Barbara or Judy?" - but soon wallows in homosexual angst and gay initiation rites. To a nation that has taken Julian Clary in its fireside bosom the only reaction to this stuff is: "So what?"

Antony Thornecroft will Durst, a graduate of the "ain't life odd" school of comedy, University of California Campus. His material is unashamedly American, which means, as a good left wing stand-up, he has problems knocking Bill Clinton. Still with a catchphrase "Only in America", he is scarcely bereft of targets.

Of Ross Perot: "Elect a billionaire for president instead of a politician and cut out the middle man." Of politicians generally: "Voting is like swimming towards the least hungry shark." It is depressing stuff: there are no heroes here. His live view, and act, is summed up in his pay-off. "Carter, Nixon and Kennedy are in a sinking ship. Women and children first," said Carter. "Screw them," says Nixon. "I thought we already had," said Kennedy. "The last one to leave can turn out the light."

It is a relief to turn to English eccentrics. Richard Herring is fat, which is the name of the show, but Herring is also funny. His scene is food - his "chocolate raison d'être" - and his imagination runs amok as he justifies putting on

a stone or two in research to reveal, almost plausibly, that God is Mr Kipling: you never see him; and he turns rubbish into beautiful food. His cleverness just about allows him to get away with a ramshackle format, reminiscent of the Goons on a good day.

For well-turned wit, pointed social comment and verbal pyrotechnics you still cannot

The face of comedy is changing on the Fringe

beat Kit and the Widow. This is their 10th year on the Fringe and they celebrate by dragging it up in kilt and trows and giving a potted history of their Edinburgh nights. From 1984 when they shared a flat with Hugh Grant - Hoge Grunts in those days - through to 1987 when the Widow - "the Holy Hunter of light entertainment" - first spoke, to now when

their annual update on the Royal Family, "Postcards from the Edge" remains the definitive history of the Windsor.

The new songs are strong. The Jackson-Presley union is celebrated in "a marriage made in Neverland" - where little boys disappear without trace - and Kit gets to camp his socks off as Marlene Dietrich unable to get her tongue round "Raspberry Ripple Rouser". With their own tongues flung up their husbands, Kit and the Widow get away with more bawdy than a busload of stand-ups.

With almost 200 comedy shows straining for a laugh on the Fringe some smiles are inevitable. Among the new faces who scored was Julian Dutton, with an act that has been banished for more than a politically correct decade - impersonations of famous actors. But his Albert Finney is auditioning for Thunderbirds: His John Le Mesurier for the role of the Godfather, and Robert de Niro for Noddy. Well, he got through to me.



Marc Chagall (1897-1985), Young Bride Among Roses, gouache and pastel over pencil on paper, 24 x 20 in. (61 x 51 cm). Estimate: \$250,000-\$350,000.

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On the day that the Irish Republican Army announced a complete cessation of its "military activities" - terrorism to you and me - another announcement gained rather less attention from the British media. It nonetheless also had consequences for British troops.

In case you missed it in all the euphoria over the IRA's tactical withdrawal, here are the facts: on Wednesday the Foreign Office revealed that it had offered the services of two ships and a military training team to assist in a possible US invasion of Haiti.

I'm sorry, I'll read that again: to assist in a possible United Nations invasion of Haiti.

The Foreign Office has offered

## The pressure of gunboat diplomacy

Britain has offered the US two warships to help invade Haiti. Dominic Lawson asks what the fee is

HMS Broadsword which last saw action in the Falklands War, and the Royal Fleet Auxiliary *Oakleaf*. Broadsword is, apparently, unsuited to naval gunfire support of an amphibious landing as it has no gun. However, a spokesman from the Ministry of Defence said (according to *The Independent*): "If the Americans requested it, she might be replaced by a ship with a gun."

I should think the Americans jolly well will "request it". Guns are useful in such circumstances. You never know when you might need them.

But what is going on here? What are we British doing offering materials and men to facilitate a dubious motivated invasion of a god-forsaken Caribbean island of no conceivable strategic interest to us? The true answer is that our man at the UN put up his hand when the Security Council passed Resolution 940 which authorises member nations to "use all necessary means to facilitate the departure from Haiti of the military leadership and to maintain and establish a secure and stable environment".

This is the usual post cold war charade, of course, in which the US

uses a tame UN to give international legitimacy to the pursuit of its own very particular foreign policy objectives. We saw the same thing in Somalia, and - though here the international interest was genuinely widespread - Kuwait. But it is not enough for the Americans to have Britain's signature to the policy they wish to carry out. They also want us to make the pretence of an "international task force" even more believable by the actual involvement of non-American troops. And for some reason the State Department considers Britain the most useful

stooge in such endeavours. This is not primarily because British troops are the best in the world, but because - as one former State Department official told me - "you guys have a pretty good record". In other words, direct military involvement by Japan or Germany, even were it feasible, would raise associations best forgotten. In Somalia, Britain did the absolute minimum, supplying one addled old Hercules transporter. The Americans were not at all pleased about that, but when one recalls what happened to the Pakistani troop contingent - 48 of them

butchered by General Aideed's men - one can only be grateful. In the case of Haiti, the British response is slightly more accommodating. What is the reason? The same as always: the Foreign Office wants something in return from America. Perhaps an absence of criticism by President Clinton for the Major government's less than effusive reaction to the IRA's ceasefire? The precise details are, irrelevant. All we British can hope is that the trade-off is more in our favour than in the Americans'. This is simply the stuff of diplo-

macy, low and embarrassing as it undoubtedly is. Why, for example, did that arch third world groupie, Harold Wilson give vocal support to President Lyndon Johnson's military escapade in Vietnam. It was the *quid pro quo* for American support for the oiling pound. A *quid pro quo*, in other words. I quote from Ben Pimlott's masterly biography of Wilson: "In December 1965... the Foreign Secretary reported that recent British requests for American financial help had been met by a dry reminder from the White House that the British had not been very helpful over Cuba, and by an inquiry about when the first British battalion would be arriving in Vietnam." Well, at least we wriggled out of that one. ■ Dominic Lawson is Editor of the *Spectator*.

Interview/Peter Aspdon

## The wheel turns full circle for Dr Steiner

Oxford is about to welcome back a thinker it rejected 40 years ago

George Steiner slips from a glass of white wine in the corner of a Cambridge pub and confesses that the latest twist in his academic life reads like the climax of a "bad novel".

Forty-two years ago, a precocious graduate from Chicago and Harvard, he submitted his doctorate to the English faculty at Oxford, and it was turned down. That doyen of the academic literary world, Dame Helen Gardner, told him his work was a worthwhile study in comparative literature, but as that subject did not exist at Oxford, the examiners were not able to oblige.

"One day," she added, "it may well arrive here, but right now it is not in the rubric." Next month, Steiner, first visiting professor of European Comparative Literature at Oxford, gives his inaugural lecture to the subject which prompted such a cursory dismissal all those years ago. The ironies of his appointment will doubtless be given an airing in the university's imposing Examination Schools building, but his tone will be affectionate: "Dame Helen was right; she was always right. It just took 42 years, which, by Oxbridge standards, is not too bad."

In the weeks leading up to the lecture, Steiner is feeling remarkably relaxed about the world. His magnanimous mood enables him to skip over incidents which have become some of the most enduring tales in that curious, twilight world of academic mythology. For the Oxford snub was not his last unhappy encounter with authority: more was to come.

He re-submitted a substantially different thesis to comply with regulations, and after spells at *The Economist* and Princeton, was invited to become a founding fellow of Churchill College, Cambridge. Once there, he began to lecture with unusual charisma to packed audiences, but he had failed to take the hint from Other Place: his first course was on how to read poetry

after Marx, Freud and Lévi-Strauss. Traditional English literature it was not.

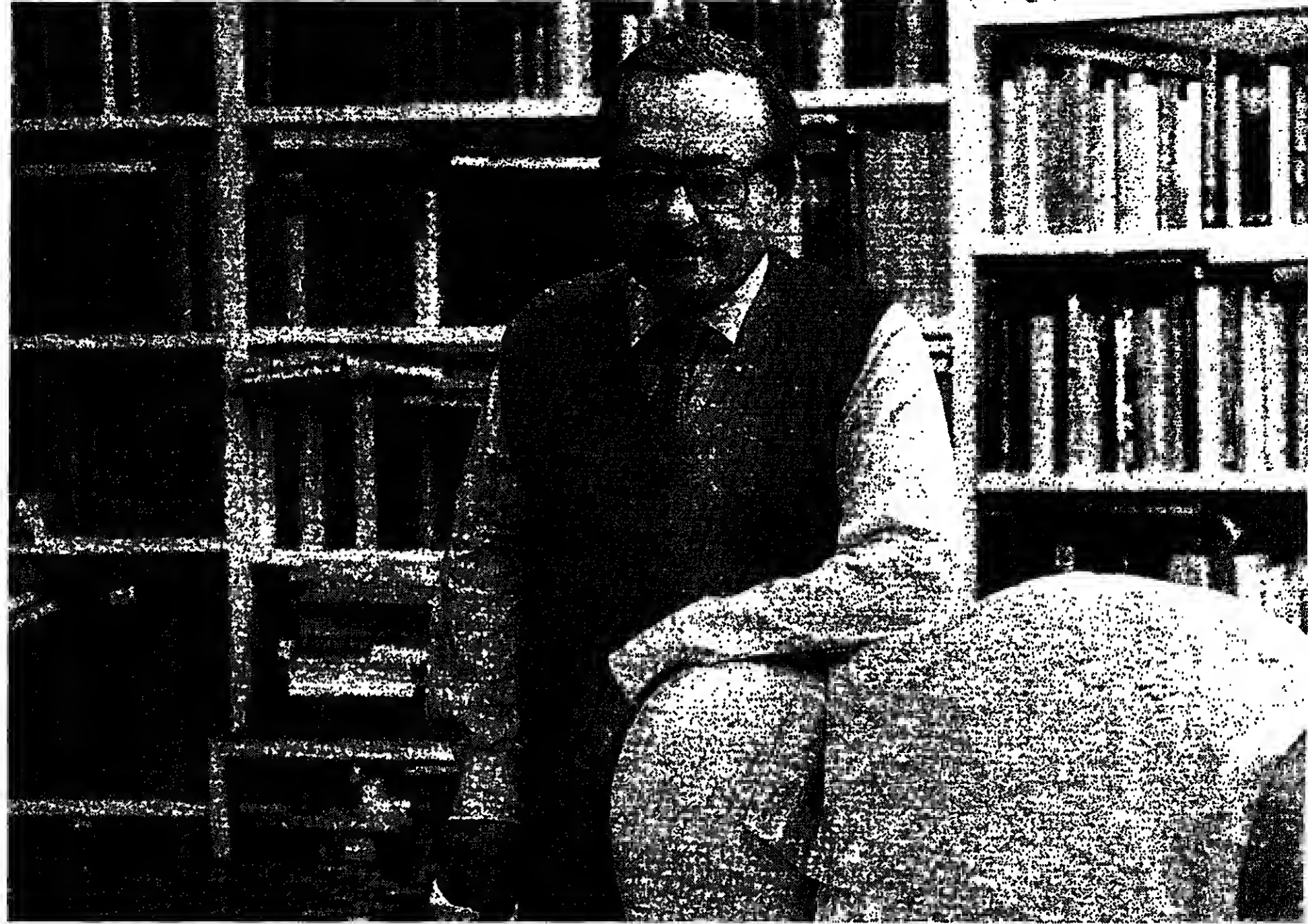
One day, the story goes, a senior member of faculty arrived to assess Steiner's credentials to be appointed to a full lectureship. Steiner was talking about Theodor Adorno's bleak conclusion that there could be no poetry after Auschwitz. The faculty member walked out in mid-lecture, ostensibly, angrily. "When I was on the Burma death railway," he allegedly told colleagues, "Steiner was sitting safely in his New York apartment. I will not be lectured by him on Nazi atrocities." Not only was there no lectureship; Steiner was told not to bother applying again.

So began the breach between Steiner, the archetypal Jewish, *Mitteleuropäer*, polyglot intellectual, and the English academic establishment. Although appointed to an extraordinary fellowship at Churchill so that he could carry out his research, he ceased teaching in Cambridge. In 1974 he accepted a chair in Geneva, in which he has spent half his working time ever since.

Now, at 65, he is back in the fold. The sense of the wheel having turned full circle in the year of his official retirement from Geneva gives Steiner an almost happy-go-lucky air which sits uneasily with the brooding intensity and sharp sense of melancholy of his prose.

Even when conversation turns light, however, it rarely becomes trivial; describing the simple, quotidian joys of waking up in the morning, Steiner typically manages to quote Hegel: "A Jew is a man who, given the choice between eternal salvation and tomorrow's breakfast, will choose the newspaper." He is insistent that any rancour he has carried inside him has been finally dispersed: "There were mistakes on both sides; I was not easy to be with. Bitterness would be folly."

Many take the Steiner story to be the classic case study of the collision between English intellectual values - oblique,



MAURICE MARCOTTE/PHOTOS

clenched, bracingly empirical and fiercely pragmatic - and those of "continental" Europe - bold, speculative, swathed in abstraction and rhetoric. It is not a new story, by any means; but when Steiner moves in his unmistakable lifting tones from Molinard to Heidegger, Rilke to Benjamin, Hegel to Derrida, one can hear the mocking chorus at his shoulder: "pretentious", "charlatan", "most damning, and English, of all: 'too clever by half'".

Steiner is not unaware of the charges, but these days shrugs them aside. In fact, his relationship with English intellectual life is complex: he has, after all, spent a large part of his life in English university towns and has some sneaking sympathies. He decries the pragmatism which, in his view, inhibits great works of creative genius ("that cry of 'come-off-it', which would have prevented Beethoven's 9th, symphony or Michelangelo's Sistine Chapel"), but recognises that "a

Europe in which the spectre of Germany looms immense needs a British presence more urgently than ever, for its irony, its tolerance, its genuine respect for the low".

He will not turn a blind eye to Britain's indigenous flaws, however. When asked if he had ever been asked to give the Reith lectures, he replies that an informal approach had failed to bear fruit when it was learned "at the highest level" that his proposed subject was "the tiredness of England". He has no regrets: "I am quite unrepentant on that. If there is too little nerve, too little pride to accept discussion of such a subject, then we are in trouble."

Another important reason for the wariness and occasional outright hostility shown towards Steiner is the very substance of his work, as well as its refusal to pay homage to traditional academic categories. His most urgent anxiety is that the humanism, the beautiful world of high art and culture created and enjoyed by Europeans over the last 500

years, have not only failed to humanise but have contributed to the legacy of horror which reached an unspeakable climax with the Holocaust. The striking examples he first presented in his *Language and Silence* have today become clichés: the concentration camp guard who tortured in the morning and was moved by Schubert in the evening; the cry of King Lear which carries greater resonance than the cry in the street.

He asks if the price of all that culture, all that beauty, has been worth paying. Although he prefaces his tentative conclusions with the hope that he may be wrong, his tone is one of unmistakable pessimism. Asked in a BBC *Face to Face* interview how he thought he would be remembered, he replied, "with deliberate self-cruelty", that he would be seen as a rearguard; "someone who could still remember the inventory of that great culture, roughly from the Renaissance to Auschwitz, but who never understood his own time at all because he was hanging on to

something which was in many ways a world of ash, a dead world."

Certainly he finds little solace in the democratisation and globalisation of culture, a chief characteristic of the post-war world. He finds it depressing that the lowest common denominator of cultural taste "prefers football and bingo to

Aeschylus", and sees rock music as "a seismic break in the history of consciousness, a triumph of death".

In truth, he has shown little signs of coming to terms with mass culture in his work, though this may be a relief; there are probably enough cultural commentators making a living from *EastEnders*, Ryan

Giggs and Nirvana.

But there remains the scholar's sense of curiosity. As we drive out of college, Steiner slows down to read the slogan on a T-shirt of a man painting yellow lines on the forecourt. It reads: "I have entered the vortex of love." He drives away with a bemused smile, trying, no doubt, to make sense.

## Rushing towards my last word

Michael Thompson-Noel



This will be the last of these columns for a while. I am being catapulted forward in time, to join the Monday FT, so Hawks & Handsaws is going into storage, together with its best-loved character: Miss Lee, my executive assistant.

I broke the news to her on Thursday, in a restaurant near Chelsea barracks, a place so fashionable that the bill for two people is always £130, whatever they eat or drink. During the past four years Miss Lee has established a place of great affection in readers' hearts. Last Christmas she received more cards than I did. She has been invited to numerous functions, and to address school prize-days.

Miss Lee's popularity has been based on the fact that she appeals equally to men and women. Women like her because she is a Thatcherite Yorkshirewoman of immense poise and style who speaks her

mind plainly, wears stupendously expensive clothes and exhibits minimal tolerance of male fears and foibles. Strange to relate, men seem to like her for exactly the same reasons.

But now she is headed for storage. When I told Miss Lee in the restaurant that she and Hawks & Handsaws were going into the cold store, there was an instant sprinkling of tears and a dabbling of ivory cheeks. But that was just the waiters.

Miss Lee remained composed. "Well, Michael," she said. "I suppose there are elements of the readership that will miss your *penées creuses*, but remember: *pietra massa non fa muschio*. A rolling stone gathers no moss, or, indeed, gravitas. There were signs, just lately, that your Saturday morning drolleries were acquiring some shape, the first suggestion of weight."

"In particular, you seemed to have dropped your campaign against John Major and the Conservative party, and to have switched your eyes

gaze towards a far more deserving target: boy-scout Blair and his new-model Labour party. When Tony Blair comes to power, if he comes to power, we shall know whom to blame: whippersnappers like you whiffing in the wind, fomenting unrest, unable

to see that John Major is all that stands between us and the bottomless pit."

I said: "If that is only half true, I reckon we should jump. Why is it, Miss Lee, that conservative-minded souls nurse the belief that they know what's best? The only hate-mail Hawks & Handsaws has received has been from far-right conservatives - anonymous and scurrilous, penned in

mauve ink. What produces this hatred?"

"Dislike of nambly-pamblyness." I said: "That's not much of a reason. As for John Major, whenever I see his name I think of what the American writer Wendell Berry said. From our point of view, said Berry, the difference between the mind of a human being and that of a mountain goat is wonderful. From the point of view of the infinite ignorance that surrounds us, the difference is not impressive."

Miss Lee said: "Any more pick-of-the-*penées* from four years of column-writing?" "Well," I said gamely, relishing her tartness, which is about to go into storage. "Not long ago I had lunch with another FT columnist. This was most unusual. On austere newspapers such fraternising is rare. Columnists eye each other eagerly and pass by on the other side."

"However, I and this person were having lunch, and I said

that I often regretted that in a column of 720 words it was hard to do justice to complicated subjects like human over-population, which is killing the planet - that all you could do was make a few points without really getting round to formulating solutions. "And this guy said - he is really extremely bright - that columnists weren't there to provide reams of analysis or draw up legislation, but to lob a few well-directed grenades into the seething mess of human affairs and hope for the best."

"I could see that he was right. But then I thought: as a species, we have analysed everything that is wrong with us. We know all about our mistakes, yet we are making more and more of them. The faster we lob grenades, the faster they come back at us. We are rushing towards our end, Miss Lee, of that I am quite convinced."

Miss Lee smiled brilliantly, and signalled to a waiter. "Michael," she said gently. "You are speaking for your-

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